CANADIAN PACIFIC RAILWAY

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Ontario Securities Commission
Alberta Securities Commission
Manitoba Securities Commission
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Securities Commission of Newfoundland and Labrador
Nova Scotia Securities Commission
Commission des valeurs mobilières du Québec
Saskatchewan Financial Services Commission
Office of the Attorney General, Prince Edward Island
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut
Department of Justice, Securities Administration Branch, New Brunswick

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Dear Sirs/Mesdames:

Re: Proposed Multilateral Instrument 52-110 – Audit Committees

This is in response to your request for comments with respect to the proposed MI 52-110 regarding audit committee independence.

Background

By way of background, Canadian Pacific Railway Limited and its wholly owned operating subsidiary, Canadian Pacific Railway Company, have debt and equity securities

listed on the Toronto, New York and London stock exchanges and are MJDS filers in the U.S. Both are federally incorporated in Canada with head offices in Calgary, Alberta.

General Comment

By way of general comment, from the point of view of Canadian public companies whose securities are listed on U.S. stock exchanges and are therefore subject to the requirements of the recently-enacted U.S. *Sarbanes-Oxely Act of 2002* ("SOA") and the standards of the New York Stock Exchange ("NYSE"), it is preferable that the standards of independence in Canada and the U.S. be consistent. In the absence of consistency, such companies inevitably will be required to meet the most stringent standards of both jurisdictions, thereby making it more difficult for them to recruit independent directors than their domestic company counterparts (and competitors) on either side of the border who have to adhere only to the standards of one, but not both, jurisdictions.

Consulting, Advisory or other Compensatory Fees

There appear to be differences between the independence standards set forth in the proposed multilateral instrument and those prescribed by the U.S. Securities and Exchange Commission ("SEC") and proposed by the NYSE. With respect to the receipt of consulting, advisory or other compensatory fees, the SEC rules extend to a consideration of a relatively small set of "family members" with no de minimus exceptions in terms of the amount of compensation received by such individuals. The NYSE standards refer to a broader group of "immediate family members" but allow for a $100,000 de minimus exception. They also permit a company's board of directors to rebut the presumption of non-independence in circumstances where the technical requirement may not have been met but there are relevant factors indicating that the compensatory relationship is not material nonetheless.

The proposed MI 52-110 appears to adopt parts of both the SEC rule and the NYSE standard by employing the NYSE's broader definition of "immediate family members" but without any de minimus exception.

It is suggested that the independence provisions of the SEC rules be adopted, as well as a provision that would permit boards to override a "technical" determination of non-independence in circumstances where the compensatory relationship between the individuals involved is not material notwithstanding that the specific criteria may not have been met. Full disclosure of the board's reasons for such an assessment should also be required. This approach would be consistent with that in the U.S. and would provide some flexibility for boards to make reasoned determinations of independence in unusual circumstances.

Employment by the Issuer of Immediate Family Members

The proposed independence criteria would render as not independent a director whose immediate family member is an employee of the company on whose board the director

sits. It is suggested that mere employment at any level is too stringent a standard and that it should be restricted to employment at a senior or executive level.

We thank you for the opportunity to comment on the proposed multilateral instrument and would be pleased to discuss these matters further at your convenience.

Yours truly,

Robert Horte
Senior Assistant Corporate Secretary
Canadian Pacific Railway