



Freight Railroads: The Way Ahead

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- Freight railroads play an important role in the North American economy
 - Railroads transport 43% of intercity freight volume – more than any other transport mode
 - Freight railroads generate nearly \$265 billion in total economic activity each year in the United States
 - Railroads provide cost-effective transportation for our customers
- Policymakers increasingly recognize the importance of rail in the Nation's current and future transportation system
- Railroads are environmentally friendly
 - On average, railroads are four times more fuel efficient than trucks – railroads can move a ton of freight an average of 480 miles on one gallon of fuel
 - Moving freight by rail rather than truck reduces greenhouse gas emissions an average of 75%
- The industry faces a number of challenges
 - Legislative and regulatory threats and mandates
 - Government budget cuts in transportation programs to address deficit issues
 - Capacity to meet future freight and passenger rail transportation needs
- Railroads also are taking advantage of key opportunities
 - Greater recognition of the environmental, congestion relief, and safety benefits of rail
 - Effective asset utilization through public-private partnerships and through individual rail initiatives





- CN is the 5th largest railroad in North America (in terms of revenues) – 2010 revenues of C\$8.3 billion

- CN serves the Atlantic, Pacific, and Gulf coasts – in addition to our transcontinental operations across Canada, we operate in 16 U.S. States

- CN employs approximately 22,000 people in the U.S. and Canada (more than 6,500 in the United States)

- CN serves customers moving products such as cars, chemicals, coal, fertilizers, forest products, grain, intermodal containers, metals, minerals, and petroleum – roughly one-third of our traffic is cross-border

- We celebrated in 2010 the 15th anniversary of the privatization of CN





CN Network



- Economic reregulation
 - Comprehensive legislation (S.158)
 - Antitrust legislation (S. 49)

- SAFETEA-LU reauthorization
 - Funding for important rail-related programs, including grade crossing safety
 - Funding for public-private partnerships, such as CREATE
 - Truck sizes and weights

- The future of passenger rail
 - Obama Administration's high-speed rail initiative
 - Amtrak funding and the possibility of other intercity passenger rail service providers
 - Liability issues associated with passenger rail incidents (H.R. 304)



■ Surface Transportation Board activities

- Proceedings on rail exemptions from regulation, rail competition, and demurrage
- Passenger service on-time performance metrics

■ Implementation of Positive Train Control (PTC)

- The rail industry is progressing on compliance with the PTC mandate
- FRA/rail industry agreement on PTC issues

■ EPA emissions regulations

- EPA is moving forward on new rules governing carbon dioxide emissions, which would likely lead to reduced consumption of coal by utilities to generate electricity – coal is a major commodity for much of the rail industry

■ Border security regulations

- Obama/Harper initiative to increase regulatory cooperation and harmonization between the U.S. and Canada



■ Operational and service excellence

- Building on our Precision Railroading model, CN is focused on expanding our traditional operational excellence to service excellence
- We have established service agreements with major ports and terminal operators
- We continue to have in place our longstanding routing protocols with other Class I railroads

■ Customer focus

- We are working collaboratively with our customers to enhance end-to-end supply chain performance
- We are continuing to improve our first-mile/last-mile activities

■ Investment in our network

- We are targeting C\$1.7 billion in capital investments in 2011 to maintain and improve our network and to grow the business

■ Sustainability

- CN is committed to the safety of our employees, the public, and the environment



- Implementation of our 2009 acquisition of the major portion of the Elgin, Joliet & Eastern Railway Company (EJ&E) is an important initiative for CN

- This acquisition benefits our customers by streamlining our rail operations and enhancing efficiency

- We are continuing to work with EJ&E communities to implement environmental mitigation conditions imposed by the STB and the terms of Voluntary Mitigation Agreements reached by CN with 26 of the 33 affected EJ&E communities

- When the transaction is fully implemented, we will be able to reduce congestion in the Chicago area rail network by taking CN trains off of overloaded lines downtown and moving them to the EJ&E line outside Chicago



Key CN Priorities



- The rail industry is an essential part of the North American economy and the transportation system
- The regulatory reforms contained in the Staggers Rail Act of 1980 have enabled the North American freight railroad industry to be the most efficient and cost-effective system in the world
- Regulations affecting the rail industry – including economic regulation, safety and hazardous materials transportation regulation, and border security requirements – must be reasonable and balanced to allow the industry to continue to meet today’s and future freight transportation needs



- The regulatory environment needs to provide freight railroads the opportunity to continue to earn revenues sufficient to make the significant investments to maintain and improve our infrastructure – especially as our competitors face lesser financial responsibilities
- As the recognition of the economic and environmental benefits of freight rail continue to grow – and expanded freight and passenger rail service is considered – regulatory procedures should allow appropriate consideration of the concerns of local communities about rail transportation balanced with consideration of the benefits of the service to commerce, the economy, and competition
- CN is committed to delivering safe, reliable, and efficient service to enable our customers to succeed in global markets as well as to contributing to a sustainable future in the communities we serve, to our employees, and the environment

