Managing in Volatile Times

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CTRF ANNUAL CONFERENCE 2009 – VICTORIA, BC
May 25, 2009

OUTLINE

Taking action now

Driving productivity

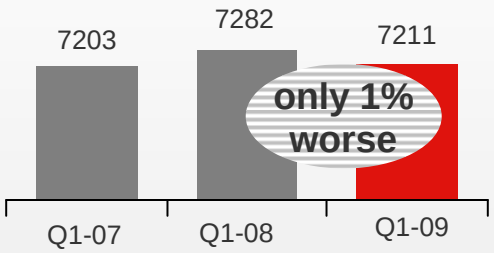
Positioning for the rebound

Environmentally responsible

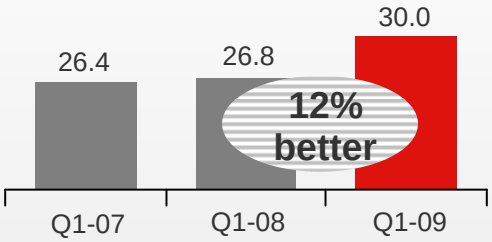
Current Actions

Q1 Operational highlights

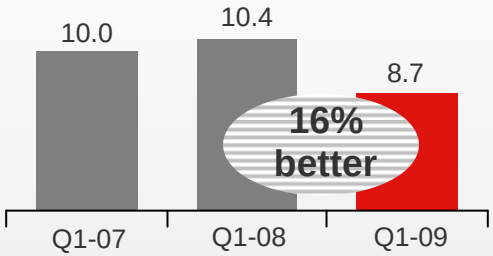
GTMs per Train



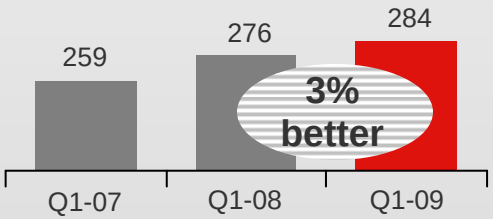
Cars per Yard Switching Hour



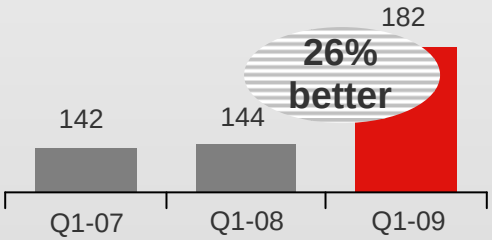
Terminal Dwell
(entire railroad, hours)



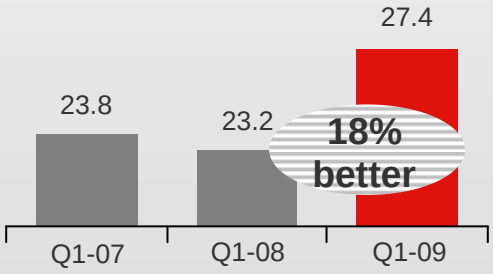
Mainline GTMs per Available Horsepower



Car Miles per Day



Train Velocity (mph)



Very strong operating performance

Managing the downturn, positioning for the rebound

RESHAPING RAIL CAR ASSETS

- Rationalizing 70 NT cars
- Adding 286 / high cube cars
- Asset light model for seasonal commodities

UPGRADING LOCOMOTIVE FLEET

- ~200 new locomotives since 2005; ~ 250 with DP capability
- 200 locomotives currently stored
- 200 more not in use (awaiting disposition, leased out)

MANAGING HEAD COUNT

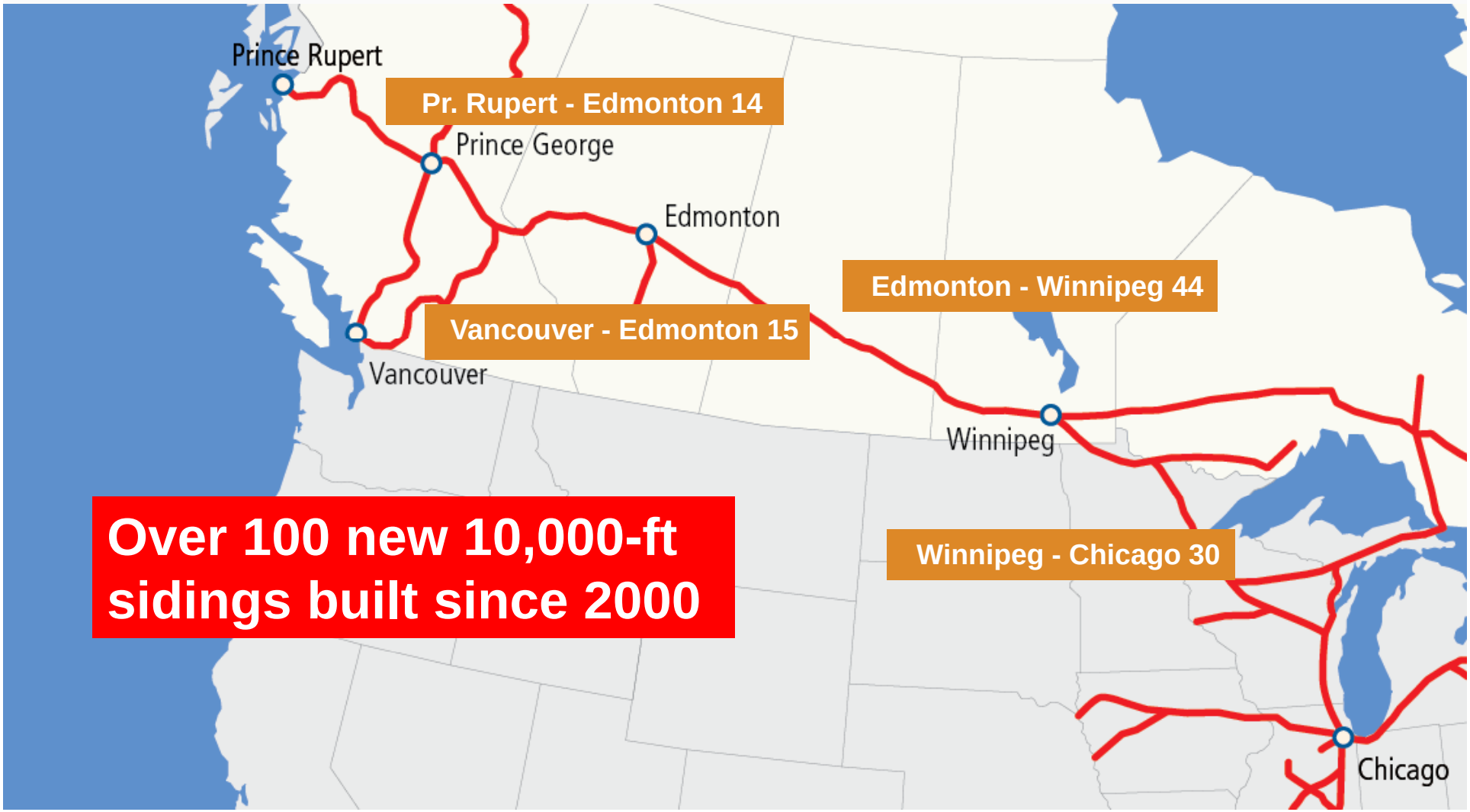
- ~ 9% attrition rate
- Increased in-sourcing
- Ongoing training

STRATEGIC CAPITAL DEPLOYMENT

- Increased work block availability
- Lower commodity prices
- More “bang for the buck”

Driving Productivity in Western Canada

Smart investments drive train speed, create capacity where needed

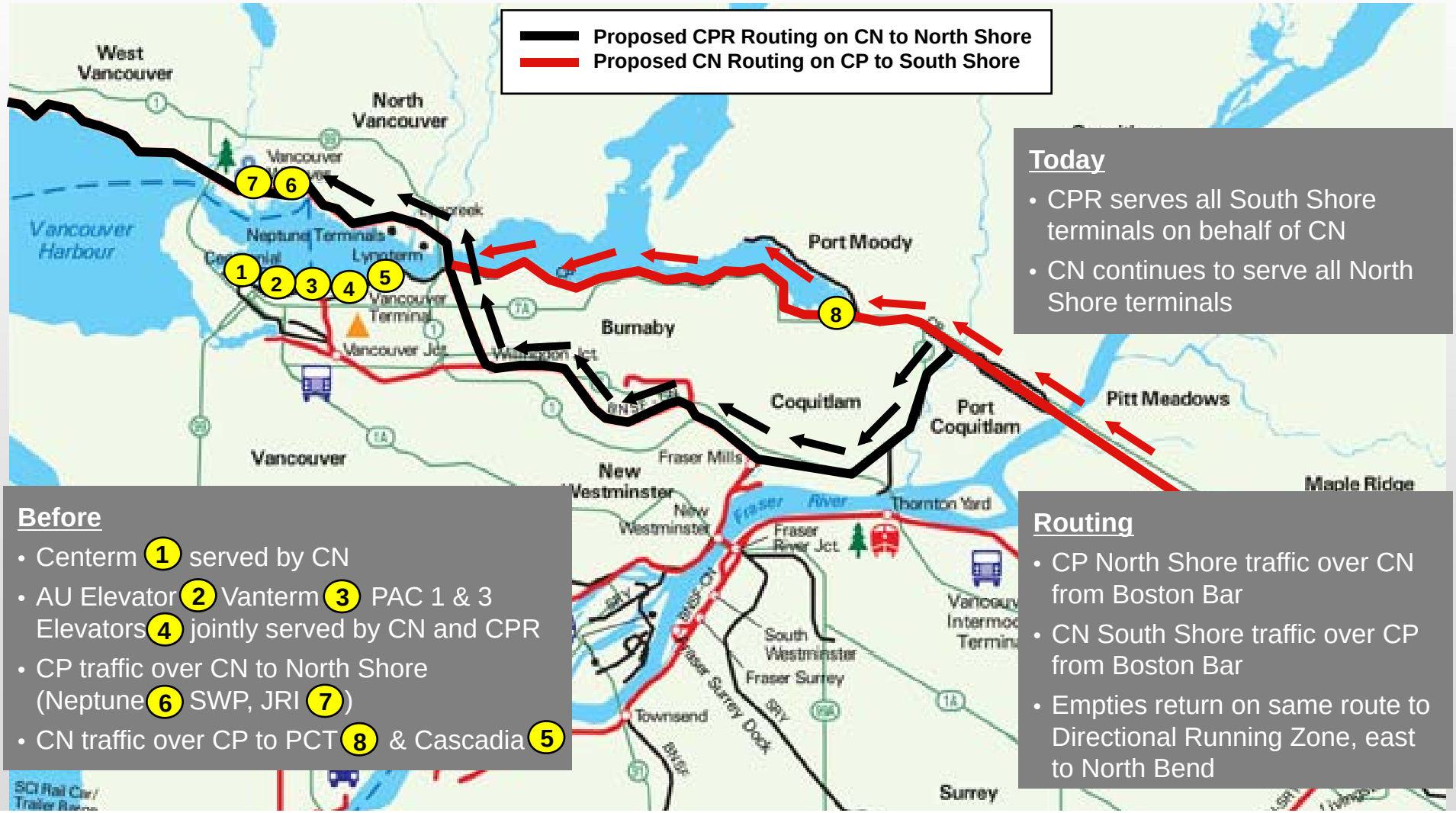


Over 100 new 10,000-ft sidings built since 2000

Distributed power locomotives maintain train efficiency 12 months a year

- Distributed Power (DP) locomotive in the middle or end of train
  - Longer train lengths in winter
  - No additional crews or engines required
- Move more cars with less trains
  - Reduces meets on-line
  - Fewer stops, increased network speed and system capacity
- 162 DP locomotives in current CN fleet
  - 25 more coming this year
  - 90% of main line engineers trained in the West
- Helps resolve winter challenge

CN and CPR routing & switching agreement in Vancouver



Today

- CPR serves all South Shore terminals on behalf of CN
- CN continues to serve all North Shore terminals

Before

- Centerm (1) served by CN
- AU Elevator (2) Vanterm (3) PAC 1 & 3 Elevators (4) jointly served by CN and CPR
- CP traffic over CN to North Shore (Neptune (6) SWP, JRI (7))
- CN traffic over CP to PCT (8) & Cascadia (5)

Routing

- CP North Shore traffic over CN from Boston Bar
- CN South Shore traffic over CP from Boston Bar
- Empties return on same route to Directional Running Zone, east to North Bend

Positioning for the Export Market Rebound

Connecting with Asia

CARLOAD

PORT of KITIMAT

- **Canada in short supply of diluent for Alberta heavy crude oil**
- **Kitimat has growth potential in break bulk and liquid trade**

BULK

PORT of PRINCE RUPERT

- **Potential for potash exports**
- **Potential for Alberta crude oil exports**
- **More exports of petroleum coke, BC coal, Prairies grain**

KITIMAT AND PRINCE RUPERT PORTS TRADE

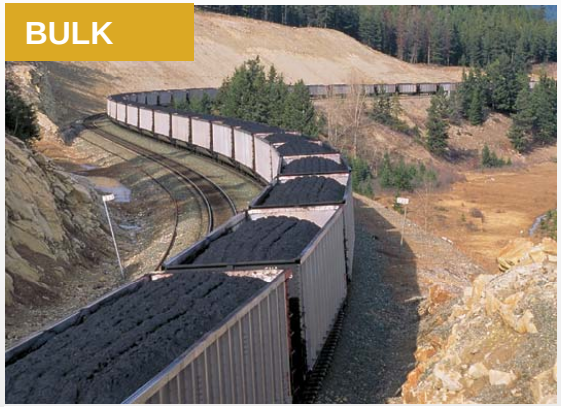
Imports	Exports
Diluent	Wheat
Methanol	Canola seed
Liquids	Metallurgical coal
Containers	Petroleum coke
	Crude oil
	Sulphur
	Wood pellets
	Potash
	Containers

- **Huge potential**

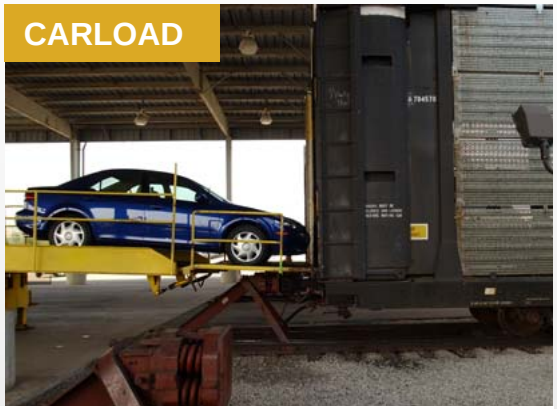
Export opportunities for Canadian goods to Asia

Connecting with Asia

BULK



CARLOAD



PORT of VANCOUVER

- **CN converted all its coal fleet to state-of-the-art, aluminum rotary gondolas**
- **Expanded track infrastructure to serve imported finished vehicles facility**
- **Significant Pacific Gateway investment on the north shore to increase service capacity to the bulk and break bulk terminals**

VANCOUVER TRADE

Imports	Exports
Diesel and fuel oils	Wheat
	Canola
Minerals	Metallurgical coal
Caustic soda	Sulphur
Steel	Ethylene glycol
Pipe	Specialty grain
Finished vehicles	Woodpulp
	Wood pellets

- **Vancouver gateway needs to operate 24/7**

Making Port of Vancouver the Pacific Gateway for Canada-Asia trade

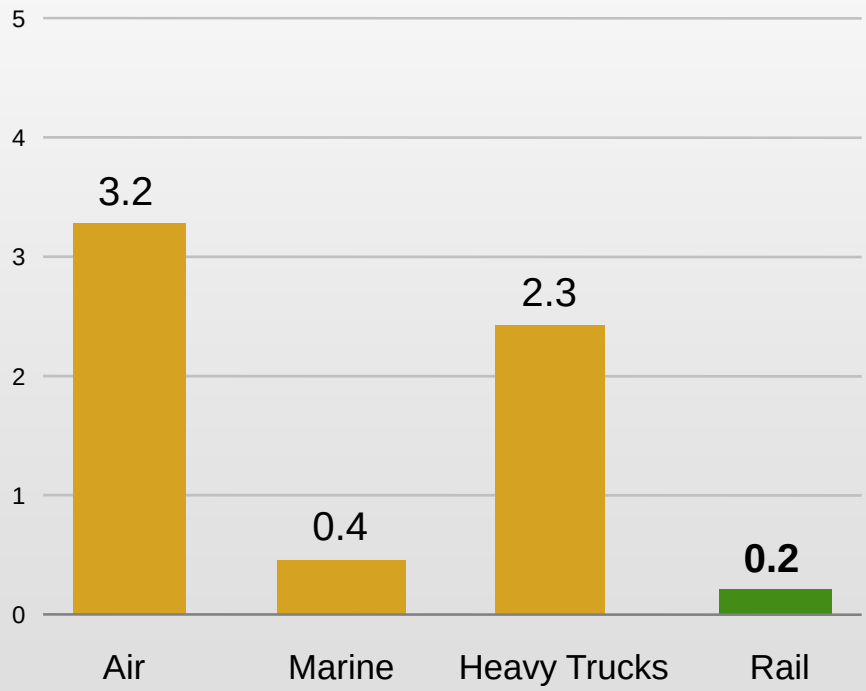
Prince Rupert: from concept to reality

- Opened October 2007
- 500,000 TEU capacity
- High-capacity, congestion free mainline

Environmental Benefits of Shipping Rail

Rail as an environmental option

ENERGY INTENSITY OF FREIGHT MODES, 2006
Megajoules / Tonne-kilometre



Source: National Resources Canada, Office of Energy Efficiency. Energy Use Data Handbook, August 2006.

The trend in North America is towards increased emission controls and more stringent regulatory requirements in both the U.S. and Canada

- **Shipping rail for the long haul and truck for the short haul is the most environmentally responsible, efficient and economical choice**
- **CN can move one tonne of freight 197 kilometres on just one litre of fuel**
- **Between 1990 and 2006, CN's greenhouse gas emissions per tonne/kilometre in Canada decreased approximately 25%**

- Managing expenses in line with traffic level
- Maintaining focus on bulk and break bulk trade
- Positioning for the rebound
- Positioning for environmental changes