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CN
Bernd Beyer, Kathryn Gainey, Matthew Warren
Hearing on Revenue Adequacy
December 12, 2019

Our Network

Our 19,500-mile network in the US and Canada.

What We Move

- 24% Intermodal
- 19% Petroleum & Chemicals
- 16% Grain & Fertilizers
- 13% Forest Products
- 12% Metals & Minerals
- 6% Automotive
- 5% Coal
- 5% Other Revenues

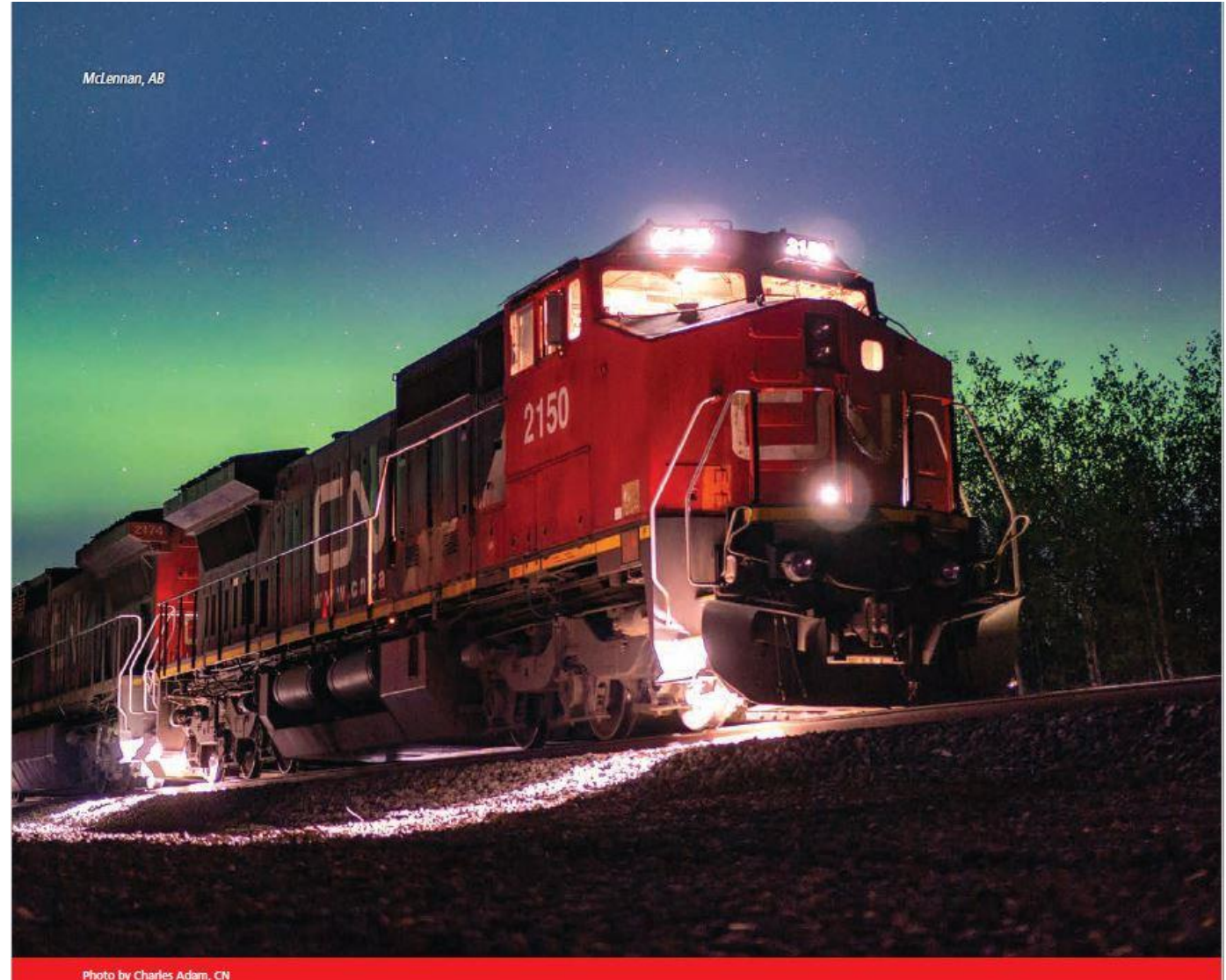
Where We Go

- 34% Canada/U.S. Trade
- 26% Global Trade – Asia
- 17% Domestic Canada
- 15% Domestic U.S.
- 5% Global Trade – Europe
- 3% Global Trade – South America



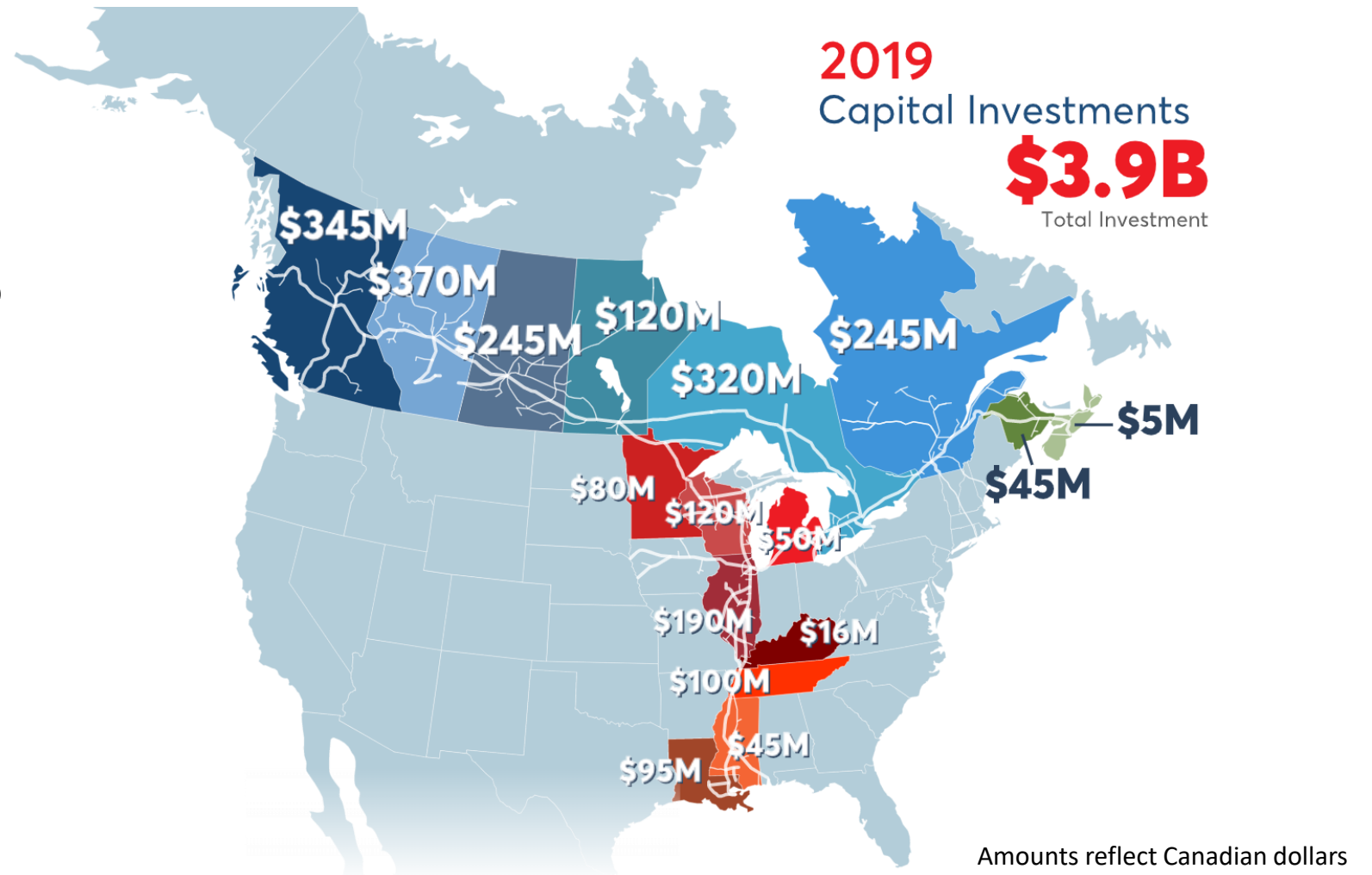
CN Invests for Safety and Customer Service

- Safety is a core value and drives every decision we make.
- CN made record capital investments in 2018 and 2019 focused on adding network capacity to accommodate growth, deploying innovative technology to improve safety and productivity, and investing in railcars and locomotives to serve our customers.
- In 2018, CN invested 52% of its operating income, or 72% of net income, into capital investments.



CN Invests Heavily in Our Network

To facilitate these investments, CN needs to attract and retain capital to maintain its existing network, expand its facilities, and improve fluidity.



Building more capacity, resilience, and fluidity benefits customers

Safety as a
core value

Drive Service
& Growth

Reduce car
cycles

Scheduled
Railroading
as the
foundation

Increase capacity
and network fluidity

Increase asset
utilization

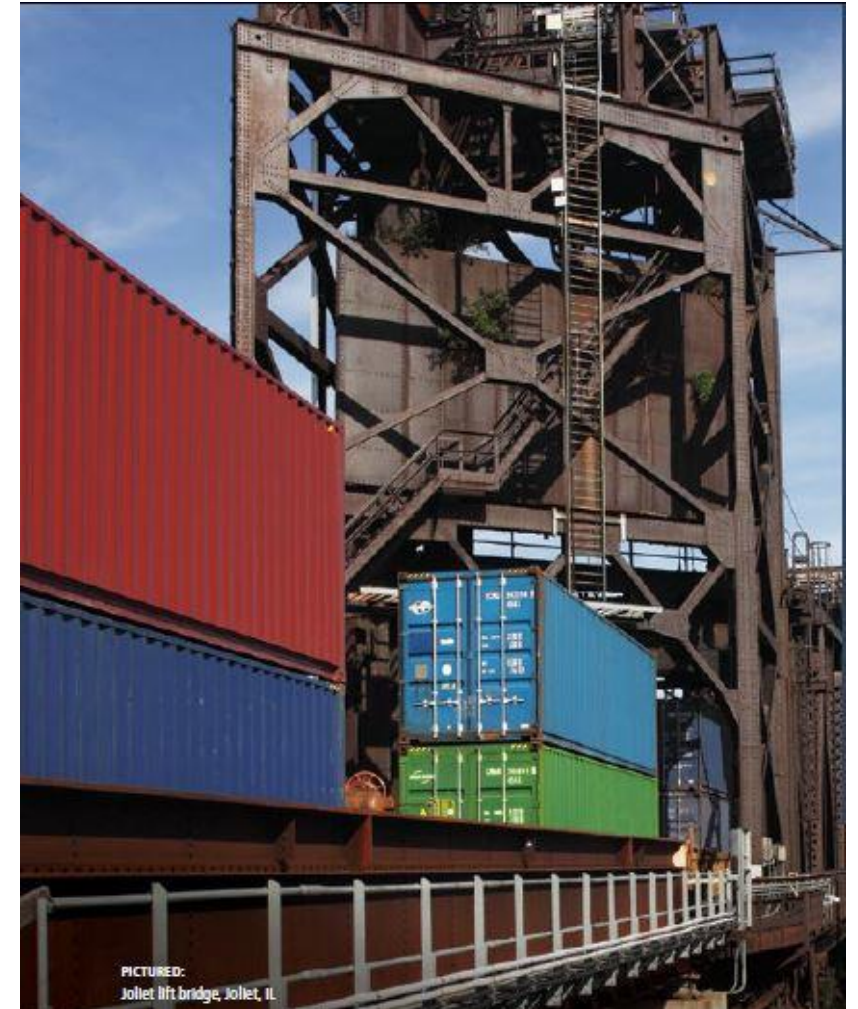
Investing in Track and Facilities

- Improved network fluidity through new sidings and siding extensions, which expand main line capacity, eliminate key pinch points, and build resiliency.
- Responding to customer demand by adding capacity for intermodal traffic in Memphis, Tennessee, and Illinois.
- Construction has begun for a new auto facility in Wisconsin to increase options for automotive customers.
- Acquisition of an additional rail/water dock facility to serve customers in northern Minnesota and Wisconsin.



Investing in Cars

- 1,000 new-generation higher capacity grain hopper cars
- 1,000 centerbeam cars, to contribute to an industry leading fleet of over 10,000 centerbeam cars
- 600 boxcars to rejuvenate the fleets serving our forest products and metals customers



Investing in High Efficiency Locomotives

- As of the end of Q3 2019, CN has accepted delivery of 135 new locomotives, with another 5 anticipated in Q4.
- New equipment improves the reliability of CN's fleet.



Investing in PTC to Meet Regulatory Requirements

- CN plans to invest a total of \$1.5 billion to implement PTC on approximately 3,100 route miles of track by 2020.
- As of November 2019, CN has successfully met the federal requirement to operate PTC on all 35 of its U.S. subdivisions required to be equipped with PTC.



CN's Investments Reduce Transit Time Through Chicago

- CN is celebrating its 10-year anniversary of the acquisition of the EJ&E.
- Investment of hundreds of millions of dollars in infrastructure improvements.
- Improves transit times for our customers whose freight moves via the Chicago Terminal by reducing overall delivery times by 24 hours.
- Benefitted other carriers by reducing congestion in the Chicago Terminal.



Investment in Technology

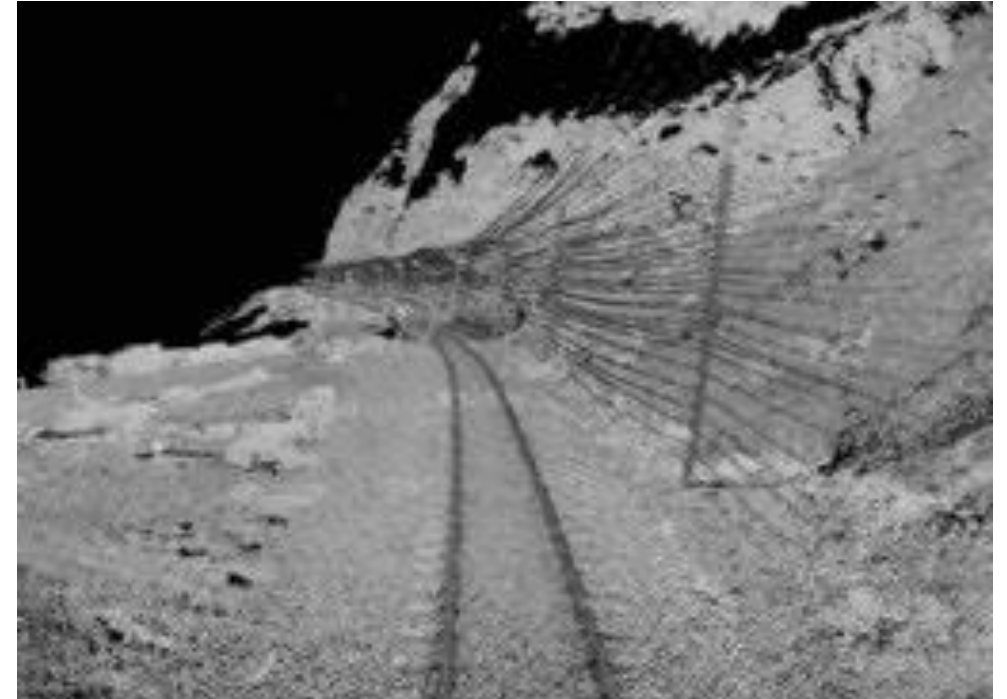
- 10 years of research into draft energy management systems resulting in new centerbeam cars that reduce undesired train separations by 67%, thereby enhancing safety.
- Developed CanaPux™ technology, an innovative and safe way to transport extra-heavy crude (bitumen) in solid pellet form, resulting in enhanced safety, environmental and economic benefits.



Investment in Autonomous Track Inspection Will Improve Safety and Reliability



Autonomous Track Inspection Program. ATIP car performing track inspection. Specially equipped railcars in regular train service at track speed. Allows for more frequent inspections and supports predictive maintenance capabilities.



Imagery generated by track inspection

Investment in Automated Car Inspection Will Improve Safety and Reliability

Automated Car Inspection Program Portal. High resolution imaging hardware with machine learning software. Inspections are more frequent with improved quality, especially on difficult parts of the railcar, leading to a safer and more reliable railway.



CN's Investments Yield Strong Service for Customers

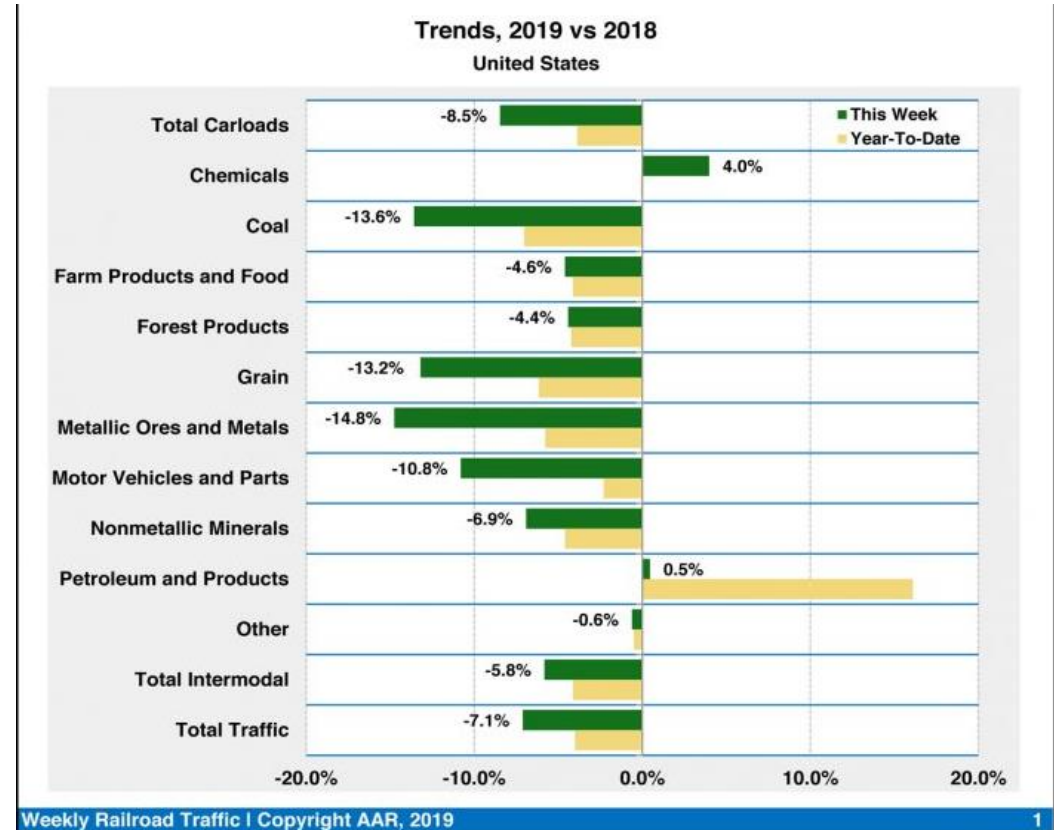
Good Q3 Operating Metrics



External Challenges Facing the Rail Industry

Increase Risk

- Rail industry volumes have softened in Q3 and Q4 2019.
- North American manufacturing sector has contracted.
- Uncertainty concerning trade and tariffs.



Increased Regulatory Uncertainty Would Further Increase Risk

- Increased regulatory uncertainty could discourage CN's future investments.
- Increased regulatory uncertainty could make it harder for CN to compete with other industries to raise necessary capital in financial markets and make it harder for CN to maintain our credit rating.
- Increased regulatory uncertainty could make investments in the rail industry less attractive as investors could perceive railroads as facing a higher risk of not having the potential to earn a reasonable return on their investments.

Thank you

