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March 26, 2008

E. Hunter Harrison
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The Honorable Melissa Bean
U.S. House of Representatives
318 Cannon House Office Building
Washington, DC 20515

Dear Congresswoman Bean,

After reading the letter you and six other members of the Illinois Congressional delegation sent on March 17, 2008 to the Surface Transportation Board (STB) regarding CN's proposed acquisition of the Elgin, Joliet and Eastern Railway Company (EJ&E), I feel compelled to provide some necessary context and correct a number of misstatements in your letter.

Your letter expresses concern about the adverse impacts of increased freight train traffic in communities along the EJ&E line. Train traffic along this more than 100-year-old rail line on the periphery of Chicago will increase by 15 to 24 trains, depending on a community's location on the EJ&E line.

CN understands the very real concerns of some communities along the EJ&E line about train traffic increases, but it is nevertheless important to put these increases into perspective. Other communities in the region currently see 100 or more trains per day.

The Illinois Commerce Commission found in 2002 that the 30 most congested grade crossings in Chicago have "gate down" times of 11 percent of the day or more. Of these, 10 have "gate down" times of 19 percent or more, and three intersections have "gate down" times for as high as 40 percent of the day. By contrast, the preliminary results of a study performed for CN found that the transaction would result in an average projected "gate down" time of less than 10 percent of the day along the EJ&E line. Our study also found that the transaction would reduce crossing delays on a regional basis and that, at all but a handful of the intersections where motorists will experience increased delay, these increases will only result in average delays of a few additional seconds and at none would the average delay per vehicle be more than a minute. To put this in perspective, this is comparable to waiting for an additional stoplight.

Throughout the winter, CN has been meeting with dozens of communities along the EJ&E line to discuss their concerns about train traffic increases, along with a range of mitigation options. A further round of meetings and discussions is about to commence. As I stated in my March 7 letter to you and Senator Durbin, which you cited in your letter to the STB, we anticipate investing roughly \$40 million for mitigation of the impacts of increased train traffic along the EJ&E line with respect to such impacts as noise and traffic at grade crossings. This is in addition to the \$300 million purchase price for the EJ&E and the \$100 million of private funds we already have pledged for infrastructure improvements on the EJ&E line.

It is important to recognize the longstanding public policy that railroads pay for their rights-of-way and improvements to their infrastructure necessary for rail operations. You have suggested that CN should pay the full cost of construction of any grade separations that may be warranted, but investments in grade separations historically have been a public/private partnership between the State, the community, and the railroad, in which the railroad involved typically contributes five to 10 percent of the cost of the grade separation.

We continue to support and work cooperatively with the STB as it conducts its environmental review. Like you, we await the result of the agency's study and its recommendations in a draft Environmental Impact Statement. We are confident, however, that the results will show that our mitigation pledge will be a "fair share" toward the reasonable mitigation that may be required for this transaction.

Your letter also asserts that our EJ&E acquisition would jeopardize Amtrak service in Illinois, stating that our transaction would enable CN to abandon the 11-mile segment of the St. Charles Air Line route over which Amtrak operates into Chicago's Union Station. As we have consistently pointed out in our application to the STB and in our March 13 reply comments, the transaction does not propose any abandonment of this segment. In fact, as we acknowledged, before the line could ever be abandoned, Amtrak trains would first need to be rerouted.

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Your letter acknowledges CN's commitment to allow Amtrak to continue to operate over the Air Line indefinitely, which should dispel once and for all any concerns of Illinois riders and downstate communities such as Champaign and Carbondale that Amtrak's service over the Air Line route is threatened in any way. You failed, however, to likewise acknowledge CN's commitment described in my March 7 letter and made to the STB to also cap the costs to Amtrak for maintaining this line at the current level, indexed only for inflation in future years. That commitment is in effect a substantial subsidy to Amtrak for the incremental costs that CN will incur when Amtrak is the sole user of the Air Line route and that the statute governing Amtrak operations otherwise would permit us to recover. Our commitment protects not only Amtrak but the Illinois Department of Transportation and Illinois taxpayers that subsidize a portion of Amtrak's service. Thus, contrary to your assertion that "CN has declined to make any commitment to address this concern and has instead left Amtrak's future operations in question," CN in fact has removed any uncertainty for Amtrak about its operations over the 11-mile St. Charles Air Line route. I have enclosed for your information a copy of my March 10 letter to Amtrak President and Chief Executive Officer Alex Kummant outlining CN's commitment on the St. Charles Air Line route.

Finally, you also express concern about the transaction's potential impact on Metra's proposed STAR Line service. As I stated in my March 7 letter to you and Senator Durbin, this transaction does not endanger the STAR Line. Should Metra and the State of Illinois decide to pursue implementation of the STAR Line project, CN is willing to explore all options for this service, including the use of enhanced EJ&E rail lines in lieu of a dedicated Metra line. As you can tell from the enclosed March 17 letter from Metra Executive Director Philip Pagano, CN and Metra have been working to address Metra issues, and CN is committed to continuing our positive discussions with Metra on the STAR Line and other Metra issues.

Your letter closes by stating that CN "has not demonstrated a willingness to meet the needs of the communities along the EJ&E, provide long-term commitments to the region, or guarantee full cooperation with the proposed STAR Line and current Amtrak service..." I must respectfully disagree with your assertions on all three counts, for the reasons outlined above.

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Frankly, I also am disappointed that you and your colleagues fail to recognize the transaction's positive impacts on rail congestion in the Chicago region, a problem that has long plagued Chicago. I recognize the need for you to represent your constituents' interests, but I hope that you would also recognize that you have a responsibility as government officials and policymakers to consider the broader public interest. CN's proposed transaction represents a privately-funded solution to partially remedy Chicagoland congestion and to streamline rail operations in the absence of meaningful government funding for CREATE or any other regional solution.

As we discussed during our meeting earlier this month, I am pleased to engage in a dialogue with you and other stakeholders on this transaction. I would hope, however, that any future discussions would focus on real issues rather than perpetuate mischaracterizations of the impacts of this transaction. If all parties approach this transaction with a balanced perspective, we will be able to address legitimate concerns while also promoting the public interest by reducing rail congestion and enhancing efficiency of rail transportation in the Chicago region.

Sincerely,



E. Hunter Harrison
President and
Chief Executive Officer

Enclosures: March 10, 2008 letter to Alex Kummant
March 17, 2008 letter from Philip Pagano

cc: The Honorable Judy Biggert
The Honorable Jerry Costello
The Honorable Bill Foster
The Honorable Timothy Johnson
The Honorable Donald Manzullo
The Honorable Peter Roskam
Mr. Alex Kummant
Mr. Philip Pagano
Public Docket: STB Finance Docket No. 35087



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March 10, 2008

E. Hunter Harrison
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Mr. Alex Kummant
President
National Railroad Passenger Corporation
60 Massachusetts Ave., N.E.
Washington, DC 20002

Dear Alex,

Last month, I committed to you that, should CN's proposed acquisition of the lines of the Elgin, Joliet & Eastern Railway (EJ&E) be approved by the Surface Transportation Board (STB), Amtrak may remain indefinitely on CN's St. Charles Airline route after CN's trains are re-routed off this route onto the EJ&E, until Grand Crossing or another alternative acceptable to Amtrak is available. This would preserve Amtrak's access to Chicago's Union Station and enable Amtrak to continue to provide service to and from downstate Illinois points such as Champaign and Carbondale in the same manner that it does today.

On March 5, 2008, I met with Senator Richard Durbin and Congresswoman Melissa Bean in Washington to discuss this and other issues concerning the EJ&E transaction. To allay related concerns and remove any uncertainty for Amtrak (and for the Illinois Department of Transportation, which subsidizes a portion of Amtrak's service), I represented CN's further commitment to cap the costs to Amtrak for maintaining this 11-mile segment at their current level, indexed for inflation in future years, as provided under the terms of the current CN/Amtrak agreement. Gordon Trafton, CN's Senior Vice President for the Southern Region, conveyed this commitment last week as well to Anne Witt, Amtrak's Vice President, Strategic Partnerships and Business Development.

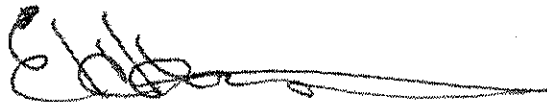
Our commitment also extends to preserving for Amtrak the current operating standards that it enjoys. We anticipate that when CN fully relocates its operations to the EJ&E and Amtrak becomes the sole user of the SCAL route (likely not until the end of 2011), we should be able to remove one of the two mainline tracks along the 11-mile segment, since one track should be more than sufficient capacity for the six 4-6 car Amtrak trains that would be the only traffic along the route. Consistent with the terms of our current agreement, we would discuss such a step with you in advance.

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Whether the second track would be removed would not reduce in any way our commitment to maintain the line at the level preserving the operating standards for its service that Amtrak enjoys today.

We believe that these commitments satisfy fully all of the conditions that you have requested from the STB to preserve Amtrak service and address the concerns voiced to the agency by numerous Illinois communities, including the City of Chicago, that Amtrak not suffer negative operational impacts as a result of the EJ&E transaction. With these commitments, we would ask Amtrak's support for our transaction, which will provide significant benefits to the Chicago region and assure that Amtrak will have adequate time to consider and implement a long-term strategy for its passenger service to and from Chicago.

Sincerely,

A handwritten signature in black ink, appearing to read 'E. Hunter Harrison', with a long, horizontal flourish extending to the right.

E. Hunter Harrison
President and
Chief Executive Officer

cc: Senator Richard Durbin
Frank Kruesi, City of Chicago
Joseph P. Clary, IDOT
Ellen J. Schanzle-Haskins, IDOT
Anne Witt, Amtrak
Eleanor D. Acheson, Amtrak
Paul Samuel Smith, US DOT



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March 17, 2008

Mr. E. Hunter Harrison
President and Chief Executive Officer
Canadian National Railway
935 de La Gauchetiere Street West
Montreal, Quebec H3B 2M9

Re: Star Line

Dear Mr. Harrison:

I am in receipt of a copy of your letter to Senator Durbin and Congressman Bean earlier this week regarding your proposed acquisition of the EJ&E Railway. This proposed transaction has drawn a tremendous amount of local interest, and in particular, concern from a great many communities regarding its possible negative effect upon Metra's proposed Star Line service.

Metra filed its formal position regarding the transaction with the Surface Transportation Board ("STB"), and expects to participate in the environmental impact portion of this process as well. We have also been in discussions with your staff over the past several months, and remain hopeful that we can achieve a settlement mutually acceptable to both parties.

To that end, I read with great interest your comments regarding Metra and the Star Line. First, I was encouraged by your comment that "this transaction does not endanger Metra's proposed Star Line." With this kind of spirit from the CN heading into negotiations, I am confident we can reach an understanding regarding Metra's proposed use of the EJ&E. I was also heartened to hear that you wish to discuss Metra's use of the "enhanced EJ&E rail lines." Metra has decades of experience working successfully with our freight railroad partners on shared right-of-way, including experience with the CN on our North Central Service and Heritage Corridor lines, and we are optimistic that we can make such a situation work on the EJ&E.

You are correct in your statement that all funding for this project has not yet been secured. However, the project has a tremendous amount of local support, as evidenced by the great many expressions of concern from a variety of individuals, local communities and elected officials, including members of Illinois' Congressional Delegation. This support is bi-partisan, and will be key to the Star Line project as it works its way through the federal process toward the ultimate goal of a Full Funding

MAR 25 2008

Grant Agreement from the Federal Transit Administration. The project is approved in Safety-Lu and has received millions of dollars of federal funding to date for pre-award activities and the Alternatives Analysis process. We expect to submit our Alternative Analysis to the FTA later this year.

While the Star Line has a number of hurdles to overcome, Metra has the highest level of confidence that there is a commitment to make this project a reality. This commitment comes from the citizens, the business community, and elected officials at the local, state and federal level. With this support, we strongly believe that commencement of service will happen at a rapid pace.

I look forward to our continued discussions on this matter.

Sincerely,

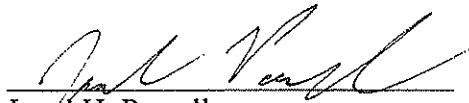


Philip A. Pagano
Executive Director

Cc: Senator Richard Durbin
Congresswoman Melissa Bean

CERTIFICATE OF SERVICE

I certify that I have this 27th day of March, 2008, served copies of E. Hunter Harrison's letter to Congresswoman Melissa Bean (CN-30) upon all known parties of record in this proceeding by first-class mail or a more expeditious method.


Jared H. Powell

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CN-30

March 27, 2008

BY E-FILING

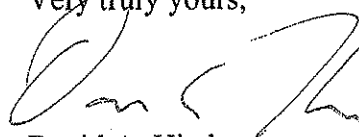
The Honorable Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
Office of the Secretary
395 E Street, S.W.
Washington, DC 20423-0001

**Re: Canadian National Railway Company and Grand Trunk Corporation –
Control – EJ&E West Company (STB Finance Docket No. 35087)**

Dear Ms. Quinlan:

Enclosed for filing in the above-referenced docket is a letter from E. Hunter Harrison, President and Chief Executive Officer of Canadian National Railway Company to Congresswoman Melissa Bean. Mr. Harrison's letter responds to Congresswoman Bean's March 17, 2008 letter in opposition to the transaction proposed in the Railroad Control Application (CN-2, filed October 30, 2007).

Very truly yours,



David A. Hirsh

Counsel for Canadian National Railway Company
and Grand Trunk Corporation

Enclosure

cc: All parties of record