



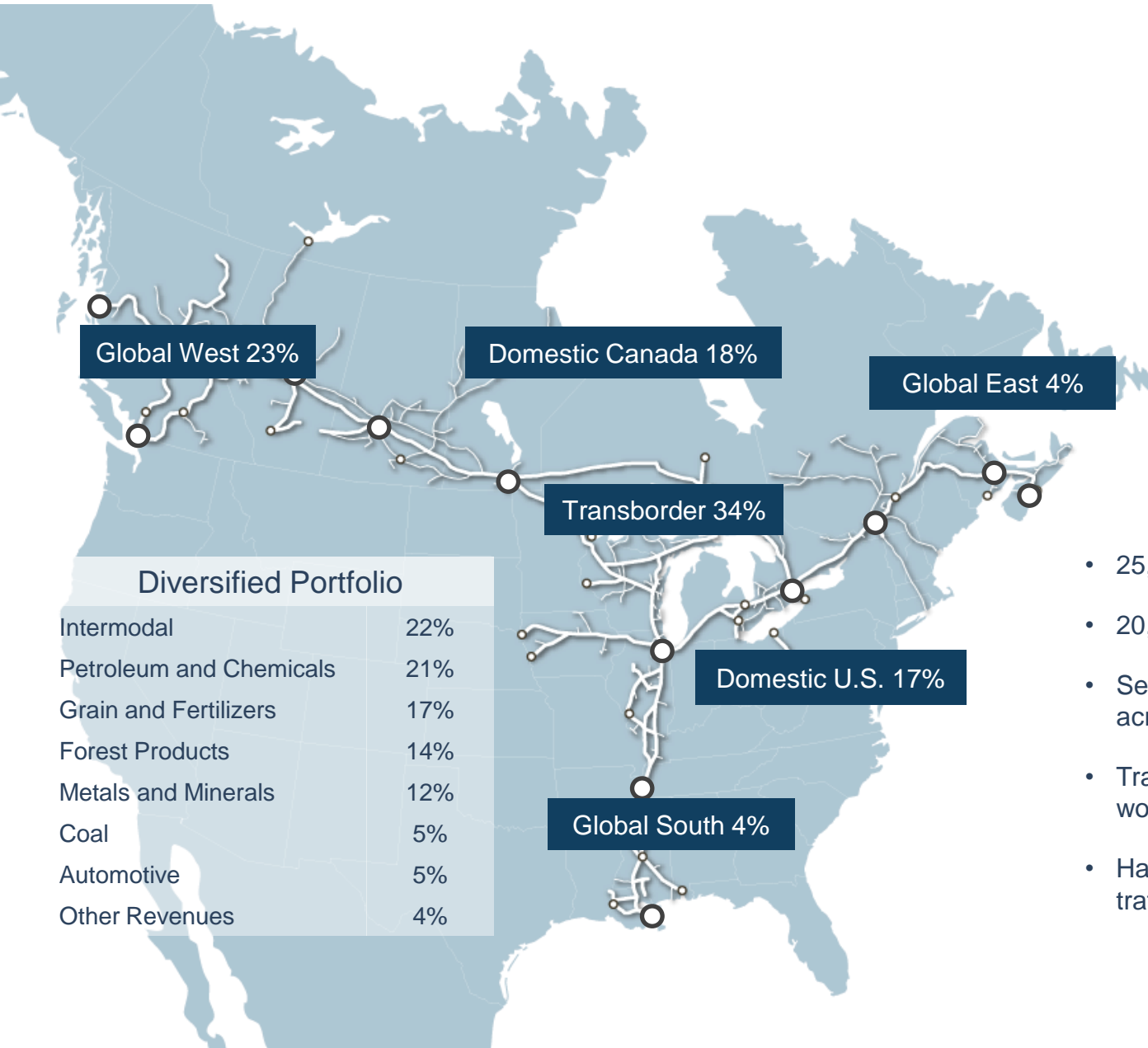
# Playing our Role as a Backbone of the Economy

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CN

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Big Sky – July 13, 2015

# Extended Network and Diversified Traffic Mix

## Playing our role as a backbone of the economy



### Diversified Portfolio

|                         |     |
|-------------------------|-----|
| Intermodal              | 22% |
| Petroleum and Chemicals | 21% |
| Grain and Fertilizers   | 17% |
| Forest Products         | 14% |
| Metals and Minerals     | 12% |
| Coal                    | 5%  |
| Automotive              | 5%  |
| Other Revenues          | 4%  |

- 25,000 engaged employees
- 20,000 route miles
- Serving 2,000 communities across Canada and the U.S.
- Transporting over C\$250 billion worth of goods annually
- Hauling 20% of Canada's export traffic

# CN Border Crossings



7 border crossings for CN

3 border crossings for traffic interchanged with BNSF (through CP in AB & SK)

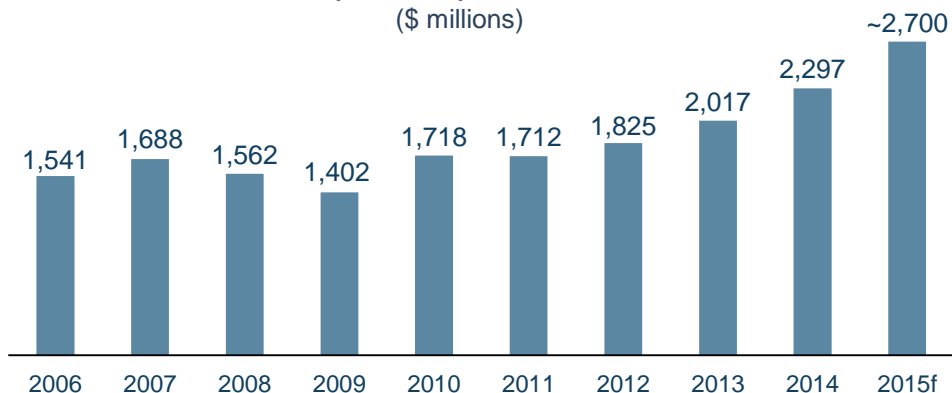


# Investing to Support the Business

## Staying ahead of the industry

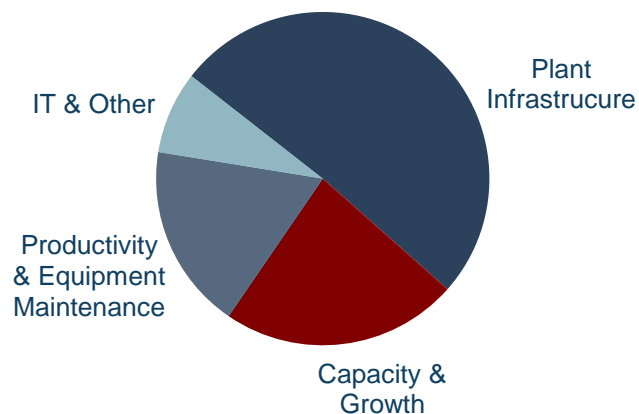


Capital Expenditures  
(\$ millions)



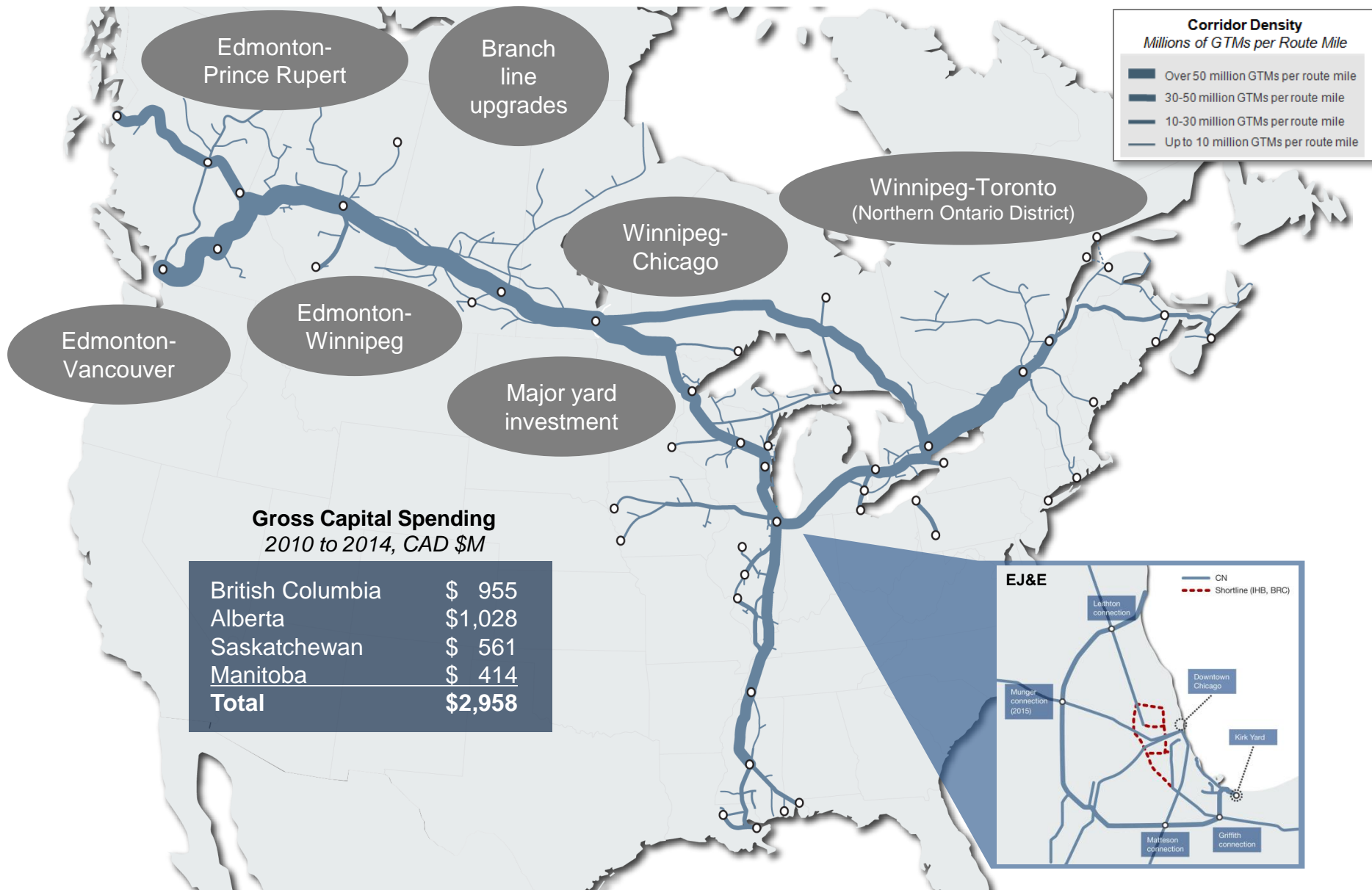
- CN will have made over \$10 billion of capital improvements in the last five years, \$18.5 billion in the last ten
- Sustaining capex at a level of ~20% of revenues in last ten years, above the North American railroad industry average, even during 2008-09 recession

Composition of Capex



- Aiming for \$2.7 billion in 2015, to support CN's business agenda
  - maintain plant
  - improve service
  - grow the business at low incremental cost
  - drive innovation and productivity through IT

# Investing Ahead of the Game



# But Capacity is About More Than Railroad Capital



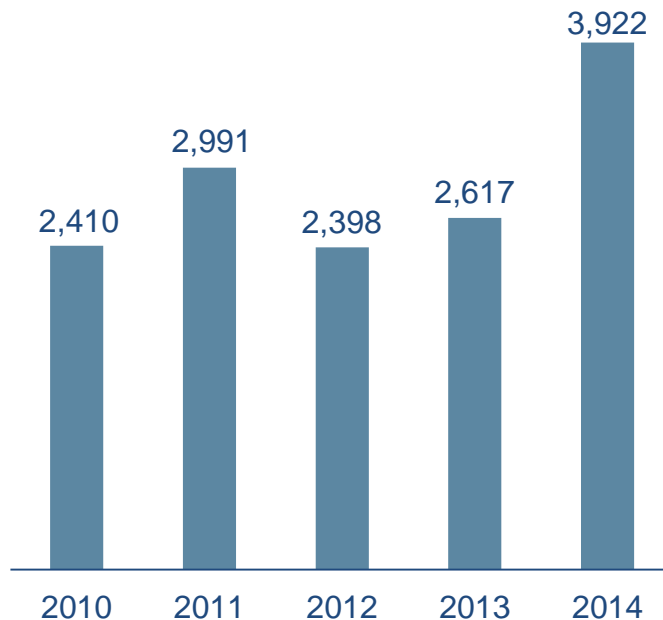
Human Resources

Supply Chain Efficiency

Co-production

Structural Factors

Total CN New Hires

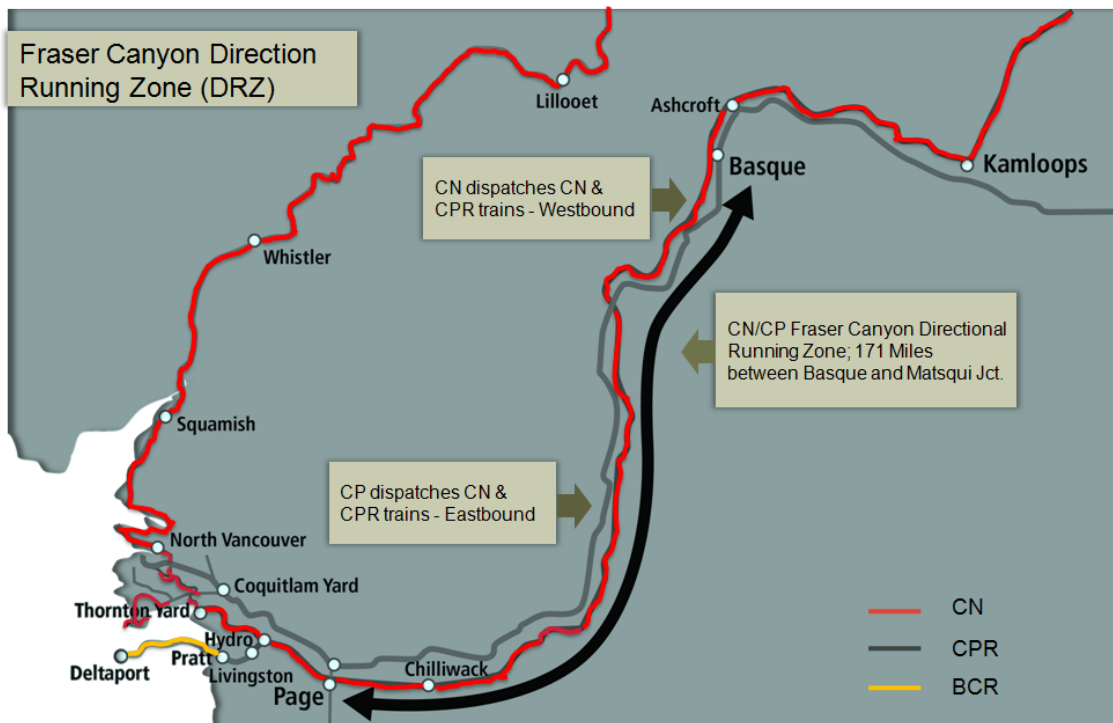


- Over 14,000 new hires in the last five years, 75% across Canada
- Backfilling for attrition and enhancing the ability to grow the business
- Significant onboarding challenge, but also opportunity to rejuvenate the workforce
- Major focus on talent and skills development
- Two state-of-the art training centres in Winnipeg and around Chicago
  - \$60-million investment to support the company-wide employee training program

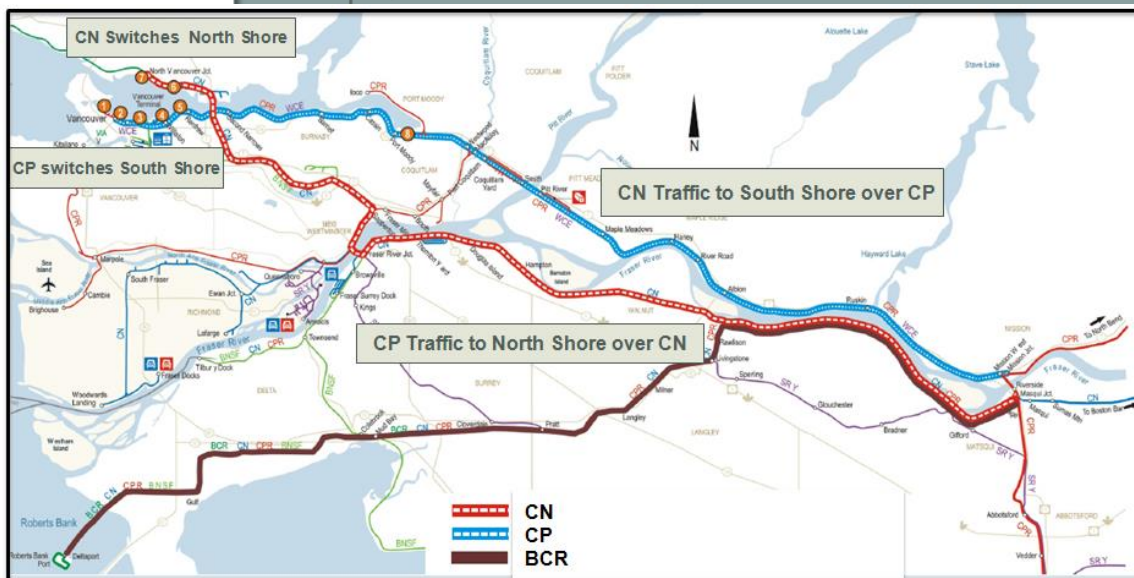




# Co-production Within Railways



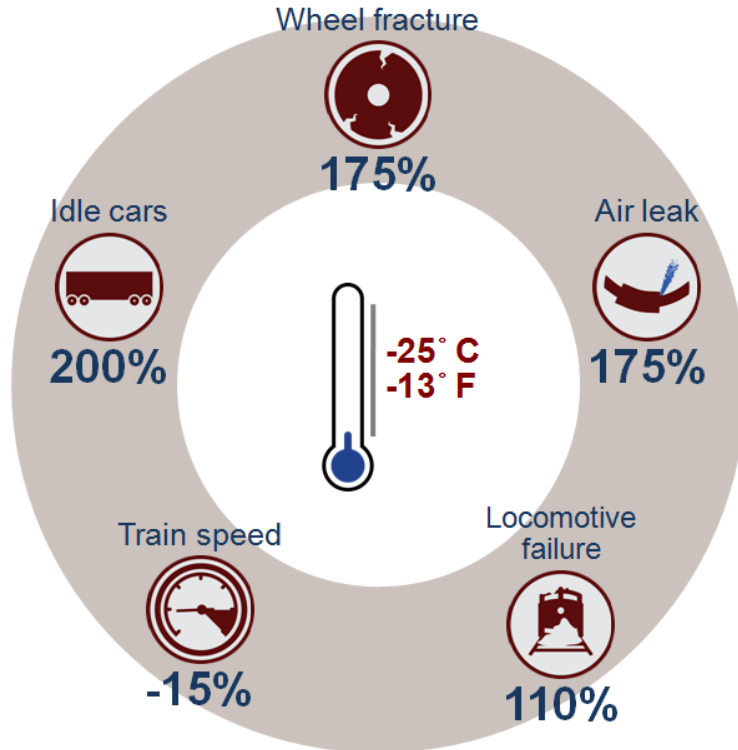
Optimizing Capacity with Directional Running Rights



Optimizing Capacity with Co-Production Agreements

# Impact of Structural Factors

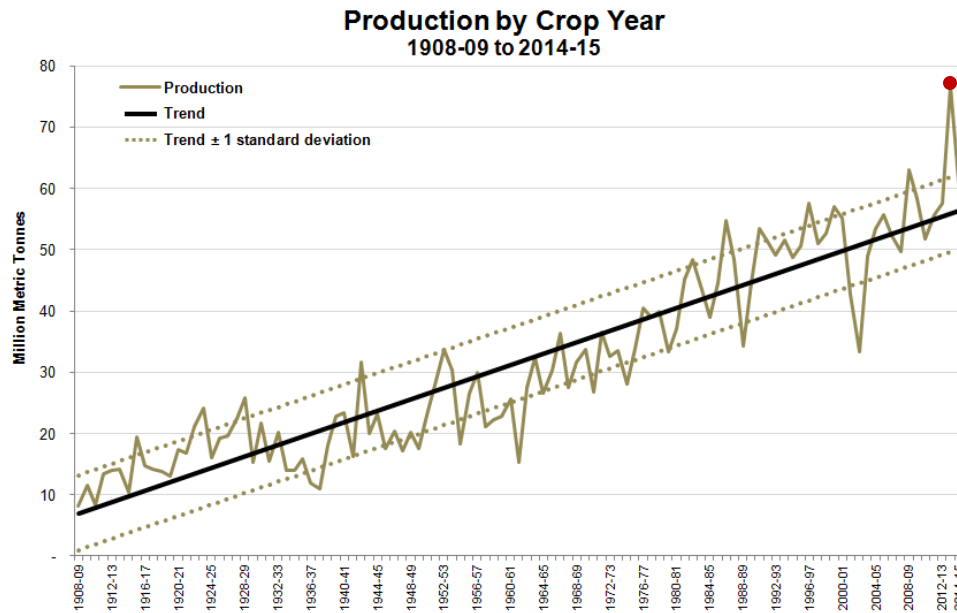
## Winter



- Efficiency from fundamental railway technologies driving rail economics
- But structurally affected by cold weather
- Not a matter of capacity, planning or execution
- Winter of 2013-2014, the worst in several decades

# Impact of Structural Factors

## Dealing with uncertainty, managing risks



- Supply chains face unpredictable volatility due to structural and cyclical changes across markets
- Long-range forecasting often unreliable and heavily influenced by recent trends in traffic growth
- For example, 2013-14 crop 35% above trend, with less than 1% probability of occurrence

# Key is Supportive Policy Background



- A policy background that continues to drive trade and long-term economic growth
- A policy framework that continues to favour market-based solutions and outcomes
- A regulatory environment that supports investment and innovation



