

Building Capacity

Investing for the Long Haul



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American Association of Port Authorities

Presentation Overview



-
- Recap of the last few months
 - CN Introduction
 - Capital Plan 2018 & 2019 – Capacity marginally ahead of demand !
 - Track and Infrastructure
 - Locomotive Power
 - Rail Cars
 - People
 - Intermodal Specific Plans
 - Questions ?

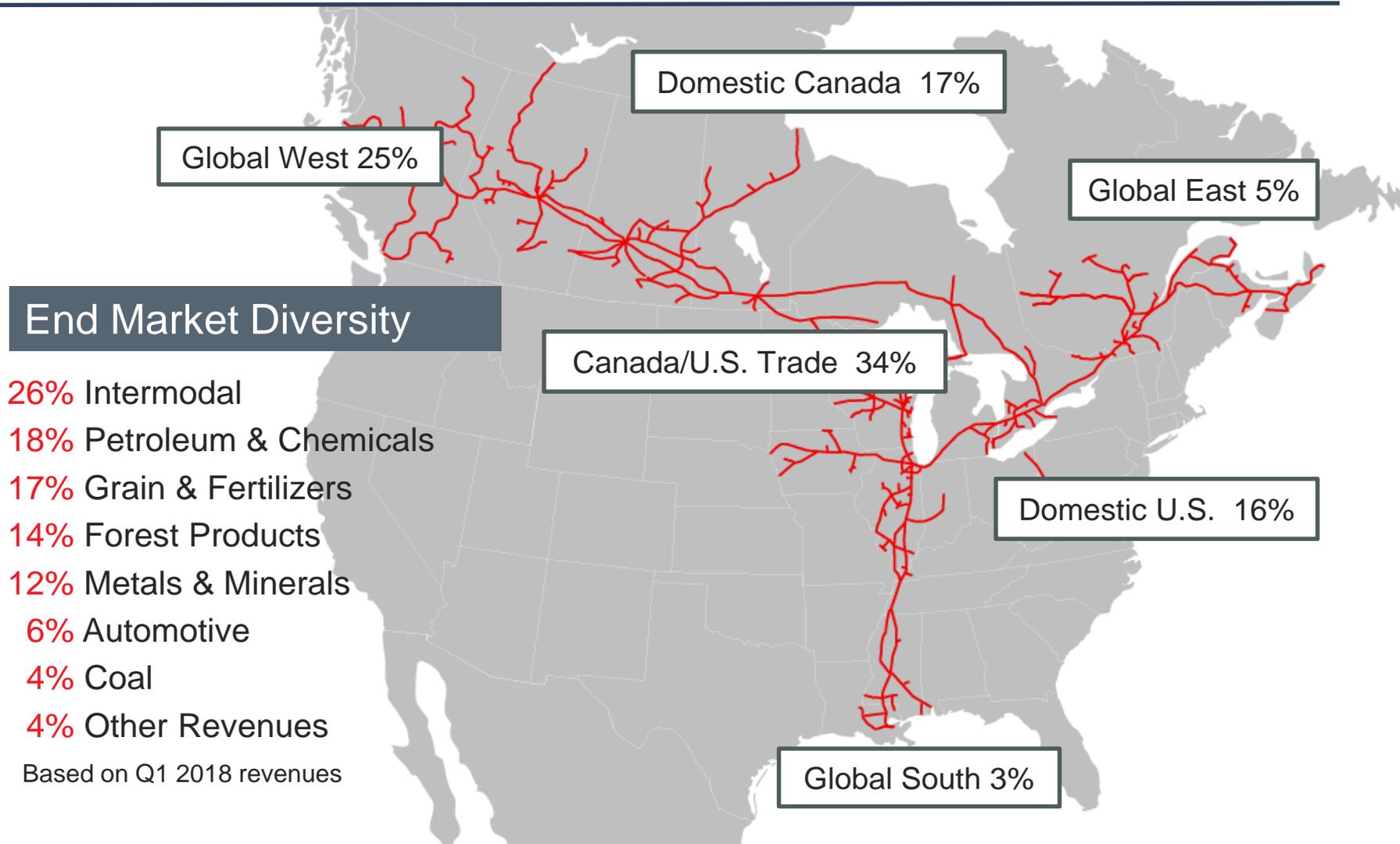
Recapping the last few months



CN is back and will be even better by Q4

- Jan. / Feb. Capacity-constrained network exacerbated harsh winter conditions
- Mar. 5th JJ Ruest appointed Interim CEO
- Mar. 7th Mobilization to improve movement of Canadian grain
- Mar. 14th “After week on job, CN Rail CEO tells Wall Street he's in a hurry” – *Bloomberg*
- Apr. 20th “THE Alliance” introduces new weekly Prince Rupert service
- Apr. 23rd Q1 2018 results, 2018 capex increased to C\$3.4B
- April 30th Volumes (RTMs) up 5% in April over 2017
- May 2nd CN current to grain car demand in Canada
- May 23rd CN locomotive engineers in Canada ratify new five-year contract
- May 24th Volumes (RTMs) up 12% in May-to-date over 2017
- May 28th “SM Lines” introduces new weekly service at Vancouver - Fraser Surry Docks

Moving the Economy



Strong Capital Program

For Safety and Fluidity

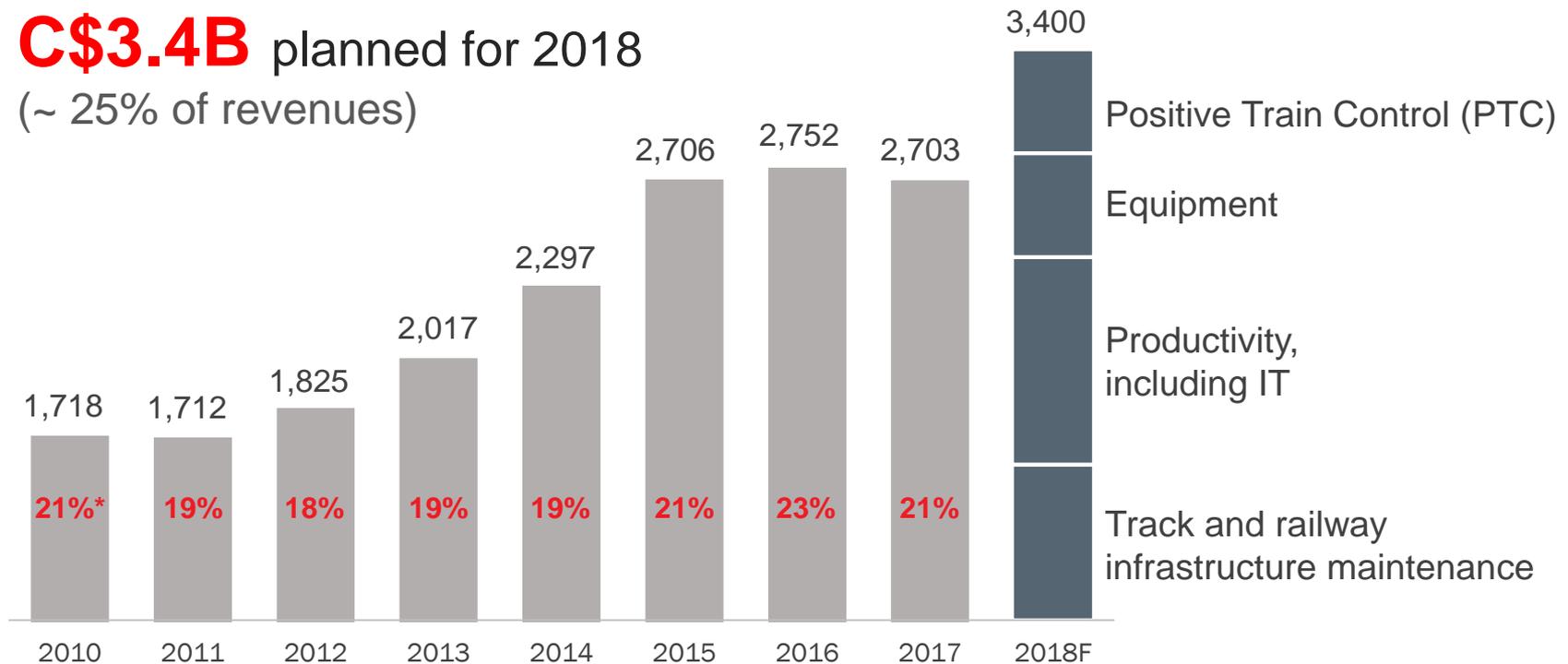


~**C\$20B** Capital investments over the last 10 years

Record capital envelope of

C\$3.4B planned for 2018

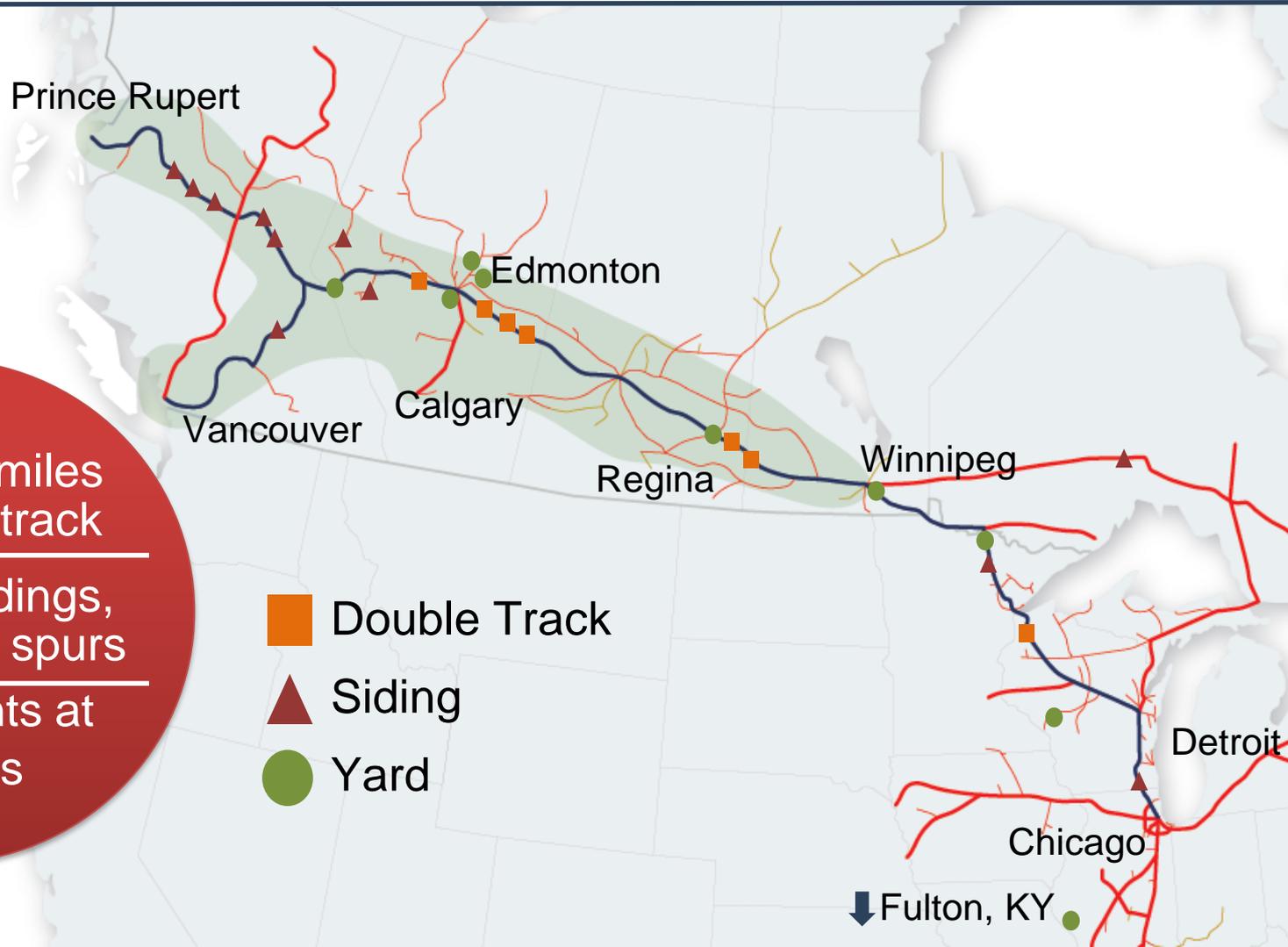
(~ 25% of revenues)



(in millions \$ Cdn) * Reflects % of revenues

Building Resources

For Long-Term Growth and Network Resiliency



Over **60** miles of double track

11 new sidings, extensions, spurs

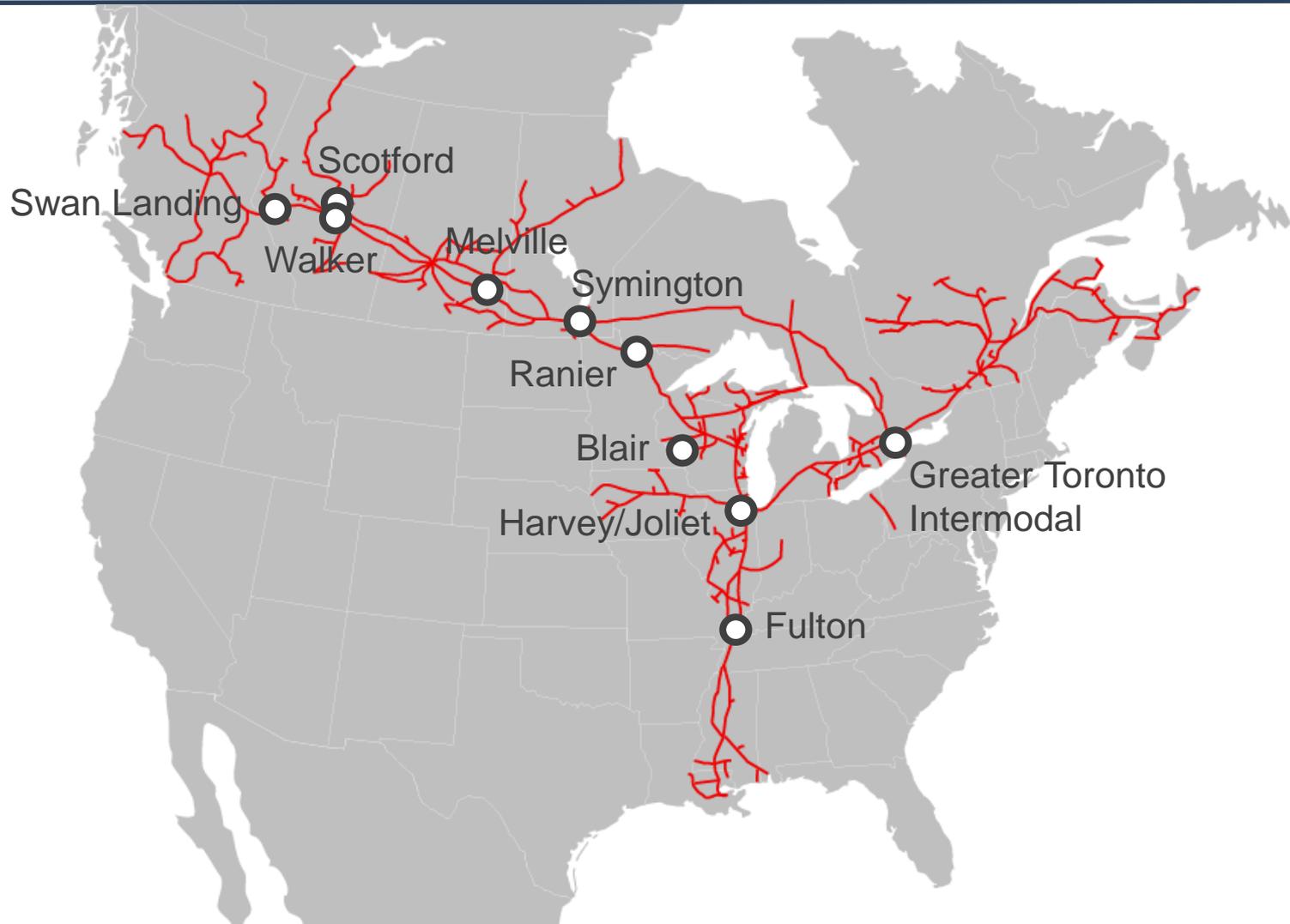
Investments at **8** yards

- Double Track
- Siding
- Yard

2018 Yard Investments



Total investments – \$104.3 Million



2018 Locomotive Investments



Program in Place for Next 3 Years



- Locomotives added to fleet in Q4, 2017
 - 22 new ACs
 - Purchased 12 pre-production ACs
 - 130 leased locomotives currently online – will remain on lease into 2019
- 260 new GE AC locomotives
 - 60 new GE locomotives gradually coming into service over H2 2018
 - Additional 200 GE locomotives coming into service over 2019-2020
- Investing in existing fleet overhaul

2018 Rolling Stock Investments



For Grain, Pulp, Paper and Metals Customers



- 350 new boxcars
 - 50-foot, high-capacity plate F boxcars, equipped with 12-foot plug doors
 - Expected delivery beginning in late summer with all the cars in service by the end of 2018
- 1000 new grain hopper cars
- 350 new centerbeam cars
 - 73-foot riserless centerbeams, with a maximum load capacity of 286,000 pounds
 - Expected delivery starting in Q3, 2018 and cars in service by end of 2018.

Hiring & Training



- CN hired ~3,500 people in 2017
- Expect to hire approx. another 2000 in 2018
- We are adding to a growing base of newly qualified conductors
 - ~400 in each of Q1 and Q2
 - A further ~1,000 more expected in H2-2018
 - 6-9 month training process

Intermodal 2018 Growth Plan

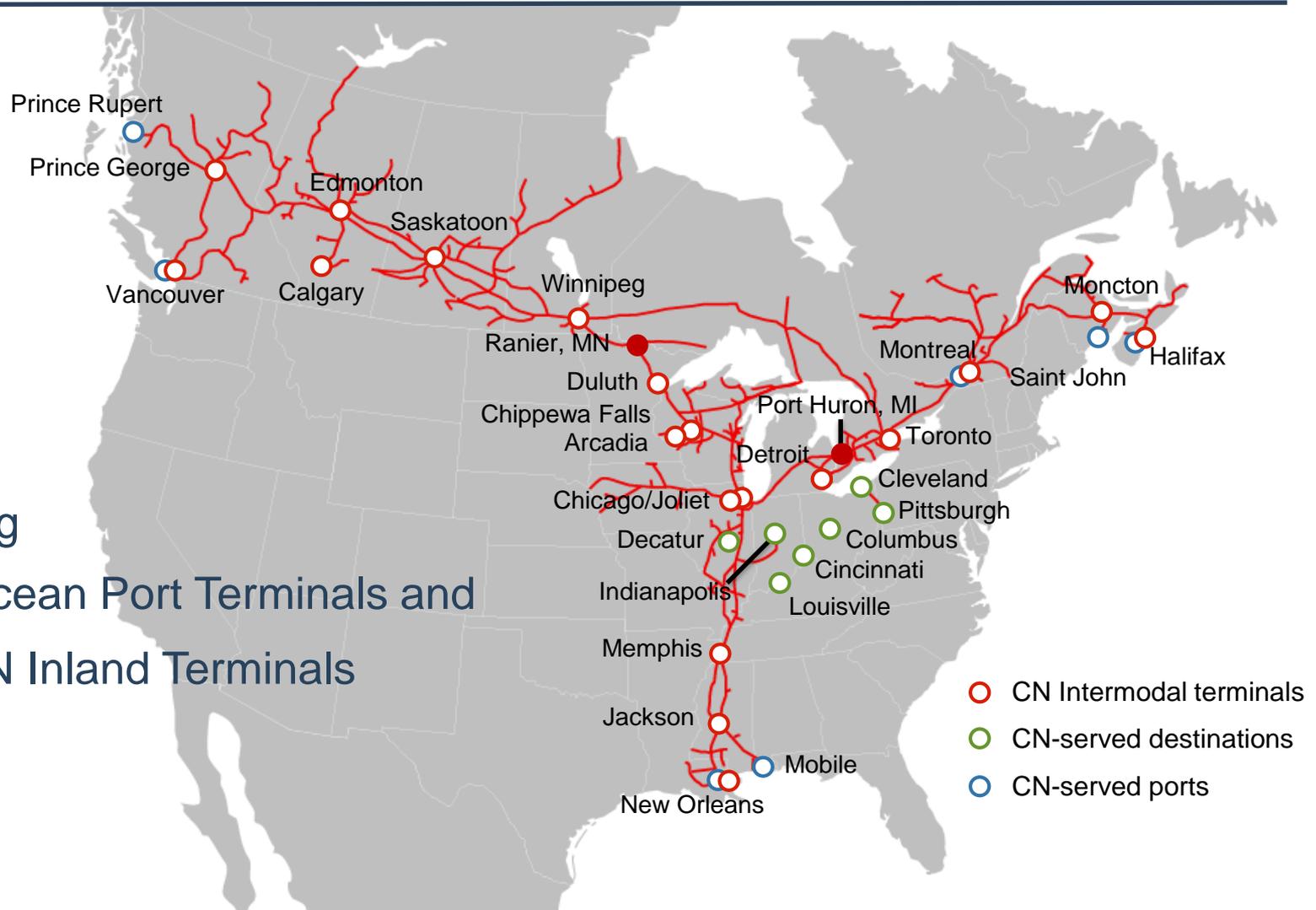


Unparalleled Market Reach



3 Coast Access to the U.S. Midwest and Central Canada

Serving
15 Ocean Port Terminals and
23 CN Inland Terminals



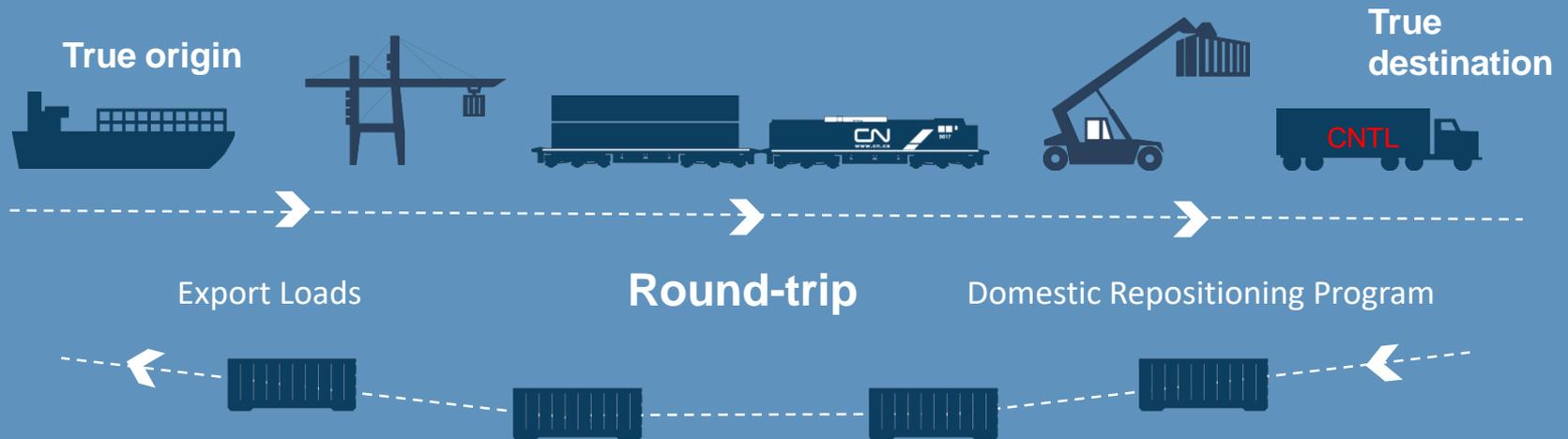
Delivering and Refining The End-to-End Supply Chain



Evolved from railroad thinking...



...to Supply Chain & Round Trip Thinking



“It’s about the velocity of the container through the Entire Supply Chain”

Leadership Change

A Renewed Focus



CEO Focus

- 2-3 day ocean terminal dwell
- 45 minute carter turn time at CN Intermodal terminals
- 99%+ on time performance to vessel cut off

Quarterly Capacity Plan – Canada and U.S.

- Selling to the capacity of the ocean terminals
- As CN rail capacity grows throughout the next 6 to 9 month the per terminal capacity plan will be amended
- We will work closely with all SS Lines and stakeholders to optimize the capacity plan

Routing protocol for Vancouver waterfront ports (Centerm and Vanterm)

- Creating inland and network capacity
- Minimizing network and terminal re-handling

Increasing Brampton Capacity



3 Step Approach



1.

**Maximizing
Actual Operations**

2.

**Increasing
Actual Capacity**

3.

**Adding
Resources & Equipment**

Brampton Intermodal Terminal



Continued Investments Supporting Growth

2017 C\$25M

Expanding footprint,
trackage, equipment
and labor force

2018 C\$16M

Brampton and Malport
Expansion and upgrades of
gate capacity, tracks,
equipment and labor force

\$100M Invested in the Past 4 Years

New Malport and MISC

Container Yard Improvements



MALPORT



MALPORT



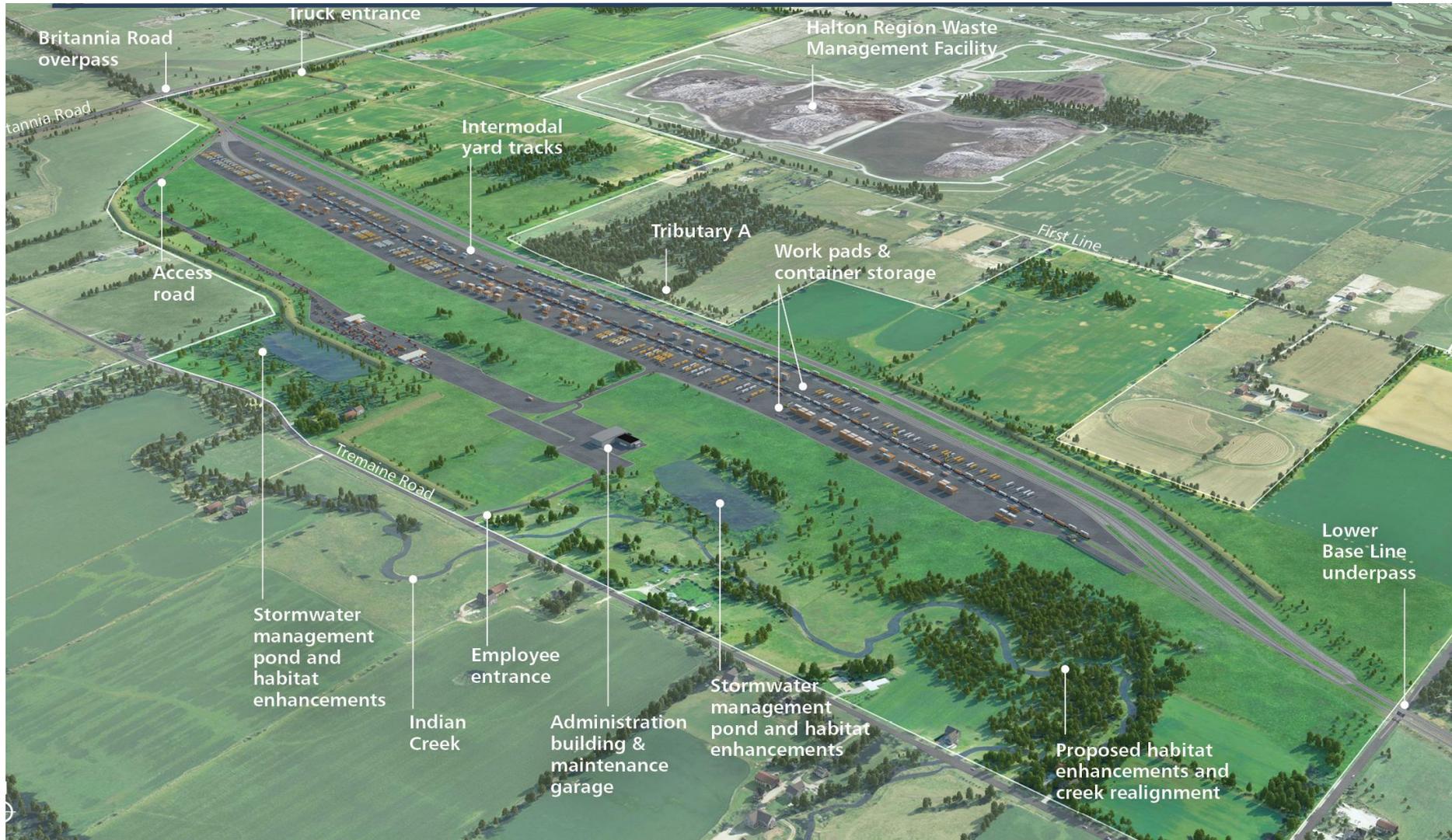
Investing to facilitate growth in the GTA

- MALPORT - Phase 1 complete June 18
- Adding terminal, gate and train capacity to the GTA
- Phase 2 expansion ongoing

Milton Logistics Hub



Designed to Minimize Impact on the Community



Ranier Border Crossing



Improved Central Examination Station (CES)



Most advanced
Canada/U.S. border
crossing CES

- Doubled in size for fast handling of inspection cargo
- New refrigerated cargo inspection area

Positioning for Growth

Investing in Equipment



Reefers

- 100 for growth in 2018

Heated Containers

- 315 in 2018 (growth & replacement)
- 43 replacement in 2019
- 78 replacement in 2020

Dry Containers

- 610 in 2018 (growth & replacement)
- 175 replacement in 2019
- 226 replacement in 2020

Nose Mounts

- 30 for growth in 2018

Gensets

- 5 for growth in 2018
- 7 for growth in 2019
+ 1 replacement
- 6 replacement in 2020

IntelliGEN

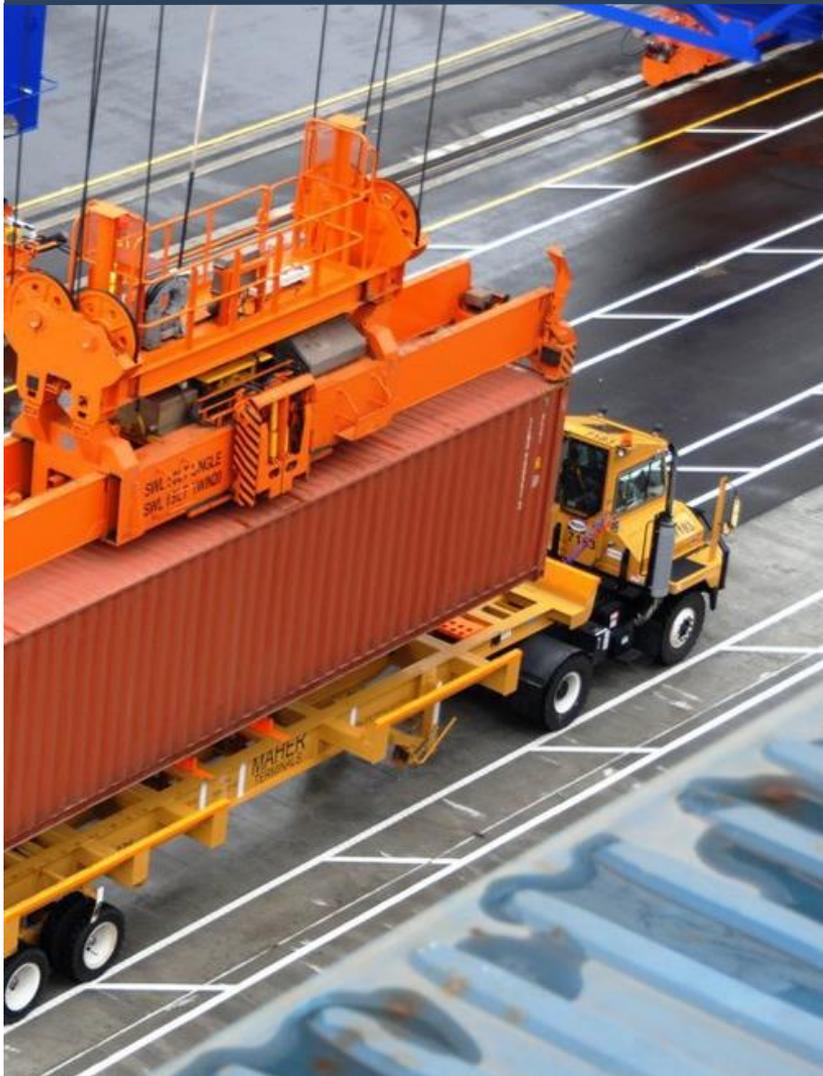
- Equip remaining 36 Gensets
- Equip 2 spare units in 2018

Other Approved Items

- Brampton – improve yard radio system
- Brampton – additional reefer plug capacity

Drayage

The Final Mile



Drayage [drey-ij] noun
1. The transport of goods over a short distance in the shipping and logistics industry. Drayage is often part of a longer overall move, such as from a pier or rail ramp to a warehouse

May 2018 Results



Engagement with Stakeholders and the Carter Community

Average Port Dwell

Prince Rupert	2.2 days
Deltaport	2.0 days
Centerm	2.2 days
Vanterm	1.6 days
Halifax	1.3 days
Montreal	2.2 days

Average Carter Turn Time

Montreal	44 minutes
Toronto	48 minutes
Calgary	48 minutes
Edmonton	38 minutes
Vancouver	38 minutes
Winnipeg	44 minutes
Halifax	20 minutes

**On Time Performance
to Vessel Cut-off**

98.7%

Thank you

