

# Building Capacity

## Investing for the Long Haul



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American Association of Port Authorities

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# Presentation Overview

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- 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 ?



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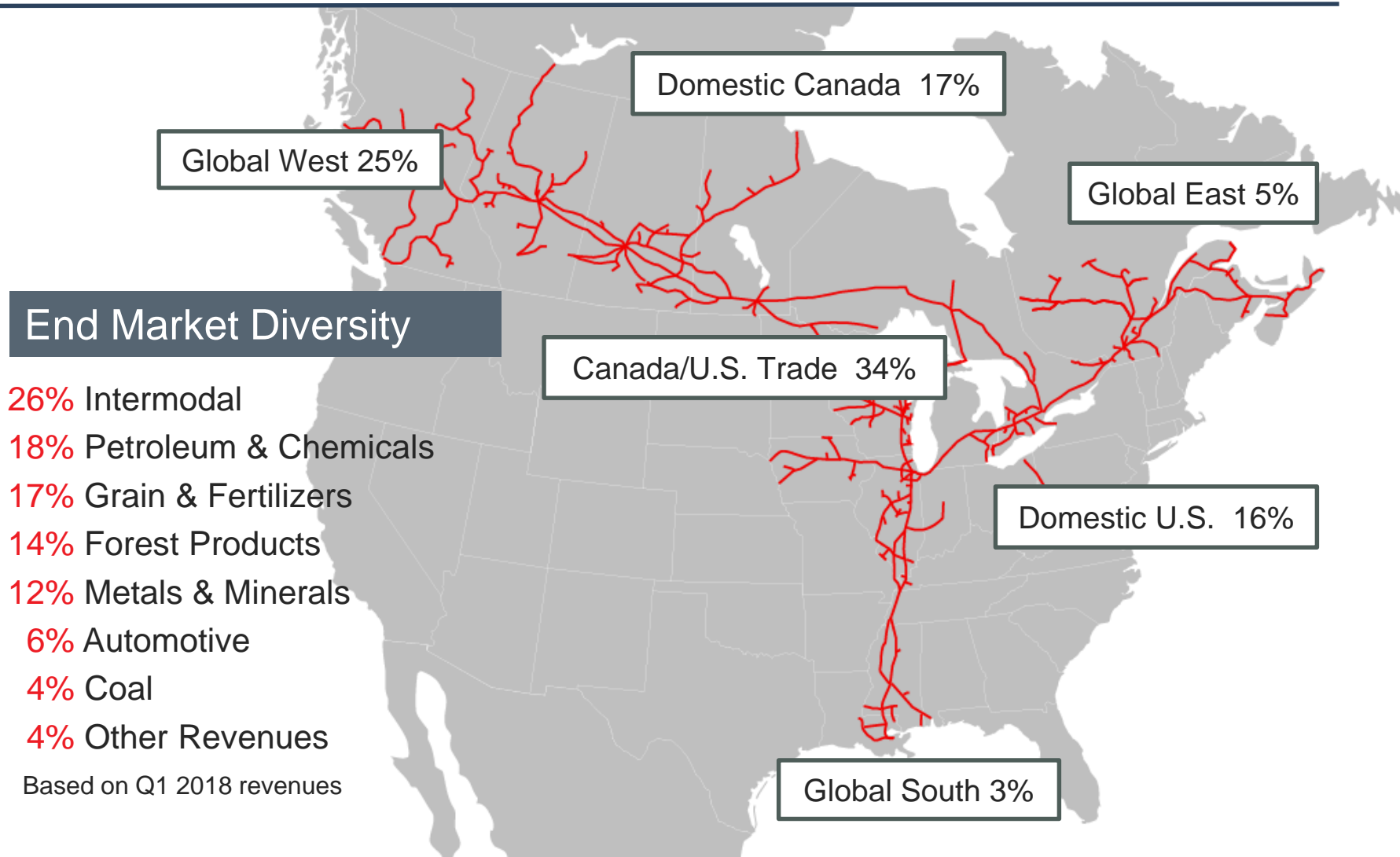
# Recapping the last few months

CN is back and will be even better by Q4

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

# Moving the Economy



# Strong Capital Program

For Safety and Fluidity

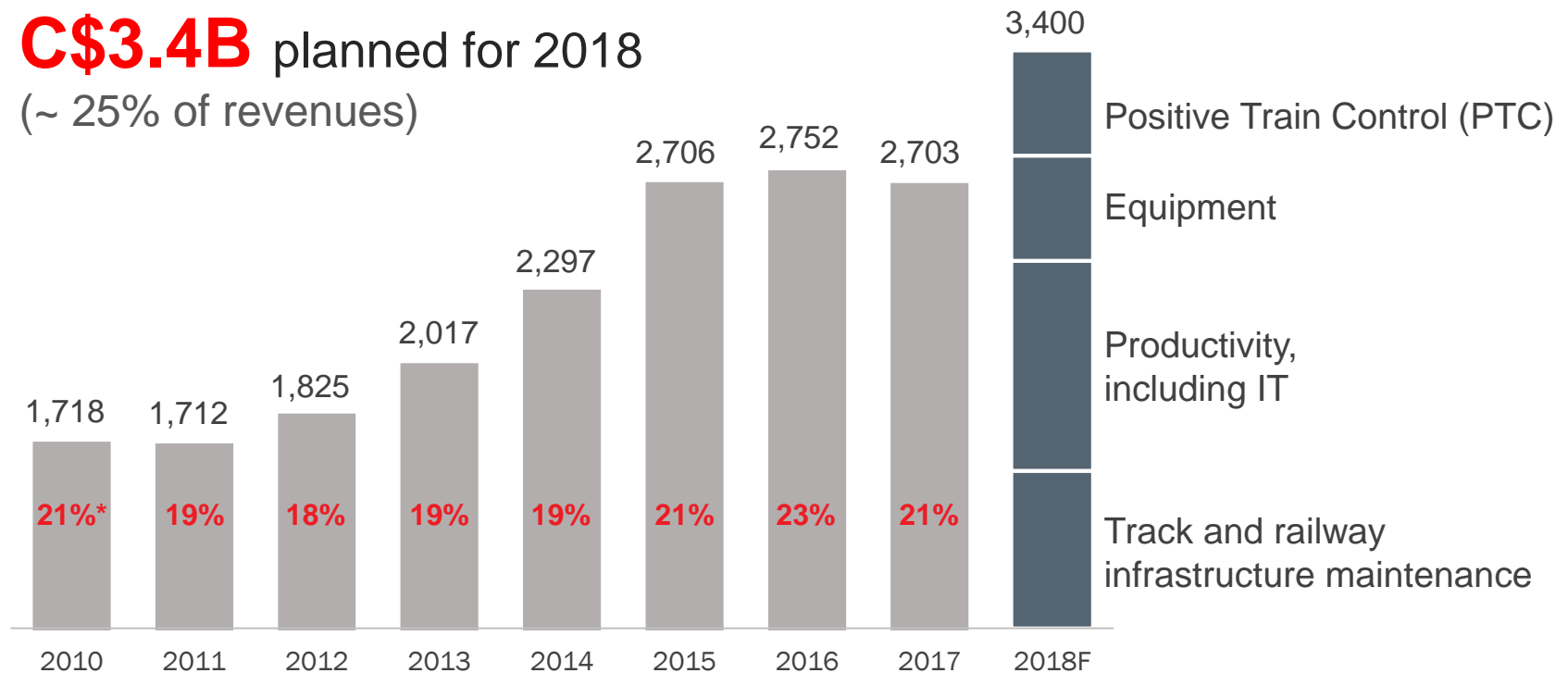


~**C\$20B** Capital investments over the last 10 years

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



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# 2018 Yard Investments



Total investments – \$104.3 Million

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# 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



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# 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.

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# 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



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# Intermodal 2018 Growth Plan



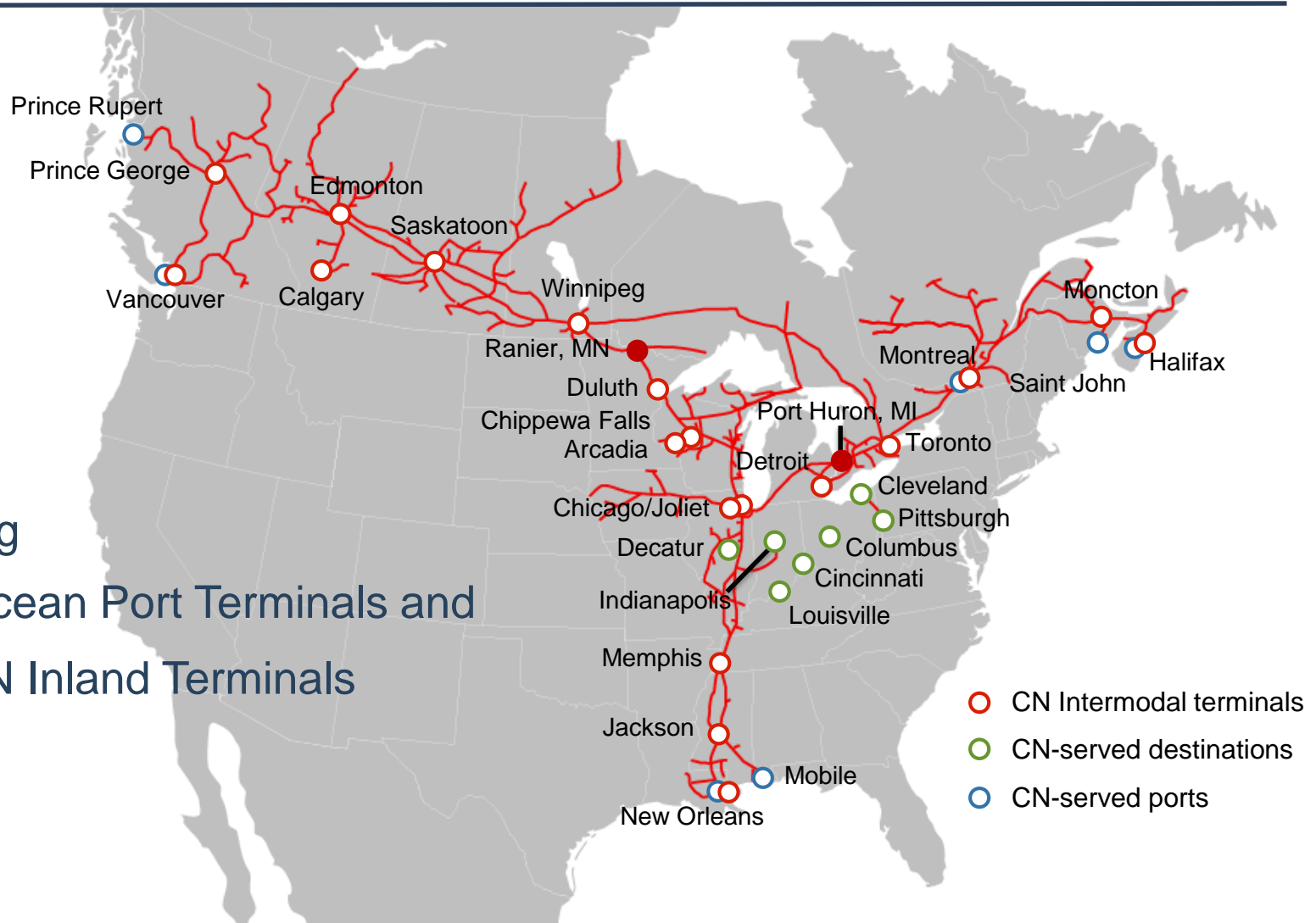


# Unparalleled Market Reach



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

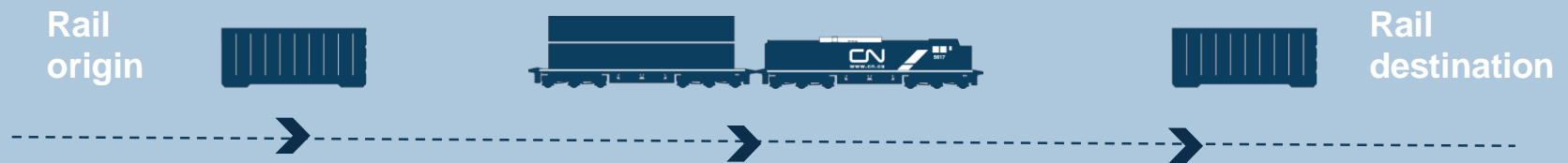
Serving  
**15** Ocean Port Terminals and  
**23** CN Inland Terminals



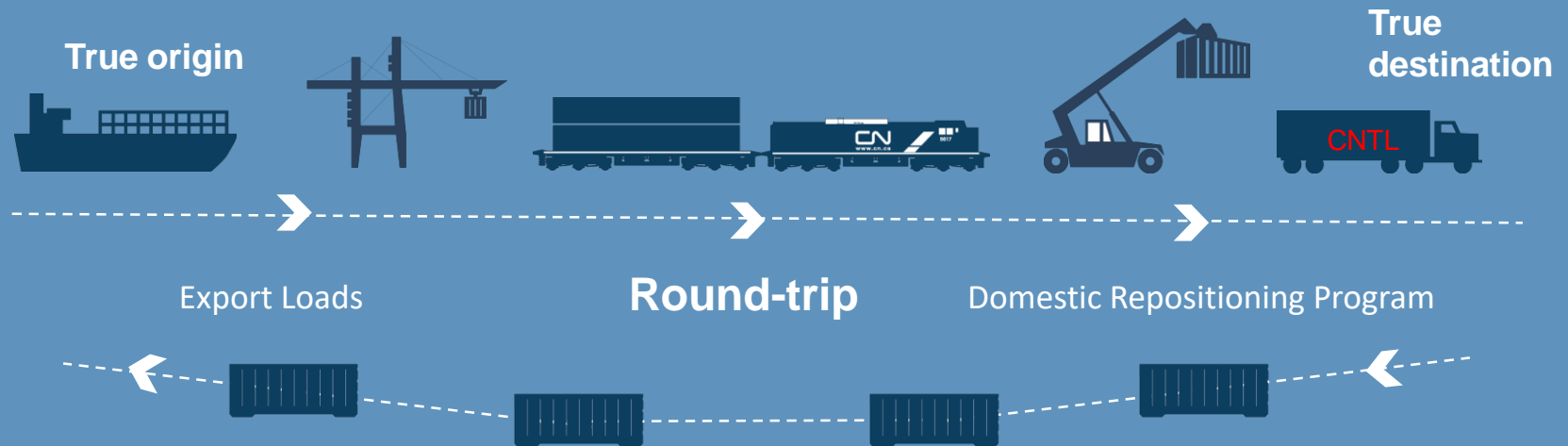
# Delivering and Refining The End-to-End Supply Chain



Evolved from railroad thinking...



...to Supply Chain & Round Trip Thinking



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

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# Leadership Change

## A Renewed Focus

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### **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



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# Increasing Brampton Capacity



## 3 Step Approach



**1.**

**Maximizing  
Actual Operations**

**2.**

**Increasing  
Actual Capacity**

**3.**

**Adding  
Resources & Equipment**

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# Brampton Intermodal Terminal



Continued Investments Supporting Growth

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**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**

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# New Malport and MISC

## Container Yard Improvements



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

MALPORT

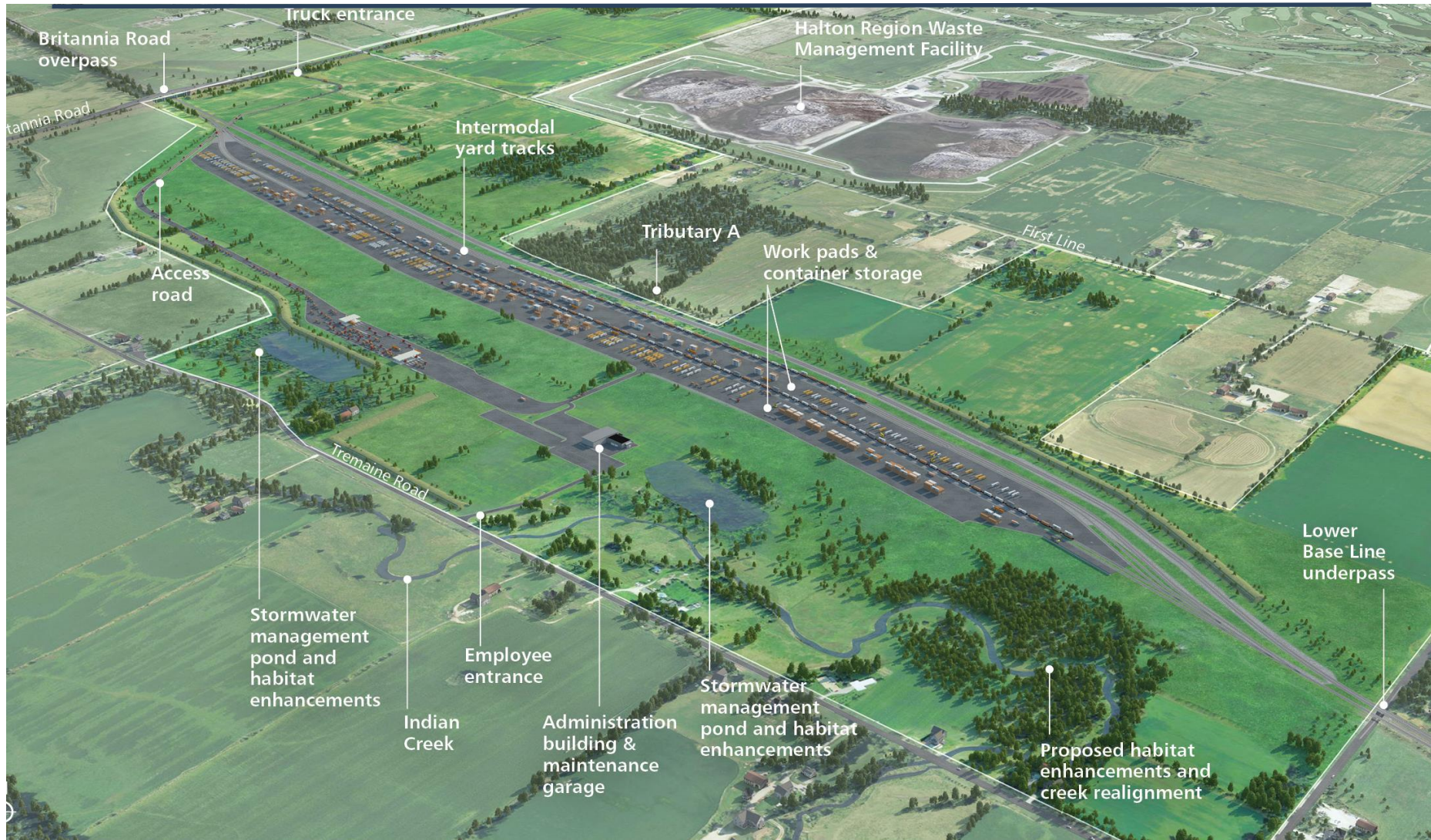




# Milton Logistics Hub



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

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# Positioning for Growth

## Investing in Equipment

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### 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



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# 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

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# May 2018 Results



Engagement with Stakeholders and the Carter Community

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## 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

