



Canadian National

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The Honorable Ann Begeman
Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Dear Chairman Begeman,

I hope this letter finds you and yours doing well during this challenging time and that everyone in your family and on your team at the Surface Transportation Board are healthy. We appreciate your great leadership in insuring the Board continues to remain open, operating, and rendering decisions throughout this ordeal.

Thank you very much for your recent letter asking for information from CN. On May 14, 2020, we provided your team information about our 2020 first quarter accessorial and demurrage charges. Please let us know if you need additional information or have any questions about the data we shared.

An important part of providing our customers with safe, reliable service means that as leaders, we must always be looking toward the future.

In just the past few months, CN has faced twin challenges of a strike work stoppage and illegal blockades that significantly impacted our network. Following both of these events we were able to recover our network quickly showing the resiliency of our railroad.

As we now face the pandemic and its economic toll, we are again responding by following a clear plan to insure the railroad is aligned to meet the safety and business challenges and with a clear plan to insure a smooth and safe recovery.

Throughout these recent challenges, we have maintained an open and clear line of communication with our employees, customers, stakeholders, lawmakers, and regulators. We are working to insure our customers are aware of changes to their service so they can reliably plan their operations. We have shared customer updates several times a week and posted to www.cn.ca a series of informative videos from our senior leaders discussing service matters.

We are well positioned to continue to operate safely and efficiently. Our priorities have been and continue to be to protect our employees and ensure the continuity of our railroad as an essential service to the North American economy. Where they can, employees are working from home, everyone on the property must be distanced and masked, and we have enhanced cleaning throughout.

We have right-sized our resources. More than 640 locomotives are now laid up, reducing fuel, maintenance and labor costs. We stored our least reliable locomotives first and ensure that they are stored in good working condition, so that when the time comes, we can get them back into service pulling freight quickly.

Our active online inventory of railcars has been reduced by 18%. In order to speed recovery, we store these cars at locations close to customers – finished automobile racks in the Midwest, forest products cars in the Pacific Northwest.

More than 3,800 employees have been furloughed and nearly 1,100 weekly train starts have been removed, leading to 28% less active trains on our network.

We have also curtailed switching activities at multiple locations with reduced car volumes and discontinued work at several locomotive shops, allowing us to further right-size our transportation and mechanical workforces. We have established regular and frequent communications so that our furloughed employees are aware of our business demands.

With fewer trains on our network, we are using this time to further strengthen our railroad by providing more productive time to our engineering gangs to maintain our infrastructure. We are investing \$2.9B of capex in 2020, or about 20% of our revenue. We are able to schedule longer work blocks and deploy more workers. This will allow us to more quickly ramp up to volumes when demands increase.

Finally, we continue to progress on our technology initiatives. The FRA has now approved our test program to perform automated track inspections between Chicago and New Orleans. By operating these inspection cars as part of the regular train service, this multi-phased approach will ultimately lead to less on track inspection time for track infrastructure and more consistent and much more frequent regular track evaluations. This will create capacity, improve safety and reliability and save costs.

And we're already seeing the positive impacts of technology on our railroad with a 90% reduction in track defects found, as we've inspected 12 times more track miles than last year, with better inspection quality and lower costs. In closing, thanks goes out to all of our essential employees in the vital role we play in moving critical supplies to keep the North American supply chain open and fluid.

These are unique and challenging times, but we know that these days will pass and North America's economy will again soon grow. While we are rightsizing our resources to fit the demand, we do so with a purpose and a plan, with an eye to the future.

We would be glad to provide any additional information about our plans or answer any questions about the information we have provided here. Our team is happy to discuss by phone or video conference if that is convenient.

Thank you again for your continued leadership and for the good work of the Surface Transportation Board.

Very truly yours,

A handwritten signature in black ink, appearing to read "JJ Ruest". The signature is stylized with large, overlapping loops for the initials "JJ" and a long, sweeping horizontal stroke for the name "Ruest".

Jean-Jacques Ruest
President and Chief Executive Officer