

# Perspective on a 100-Year Crop

Claude Mongeau  
President and Chief Executive Officer

Winnipeg Chamber of Commerce  
April 9, 2014





# Recap on CN's Business Agenda

Delivering Operational  
& Service Excellence

Becoming a True  
Supply Chain Enabler

.....

Playing our Role as a  
Backbone of the Economy

.....

Driving Innovation  
& Productivity

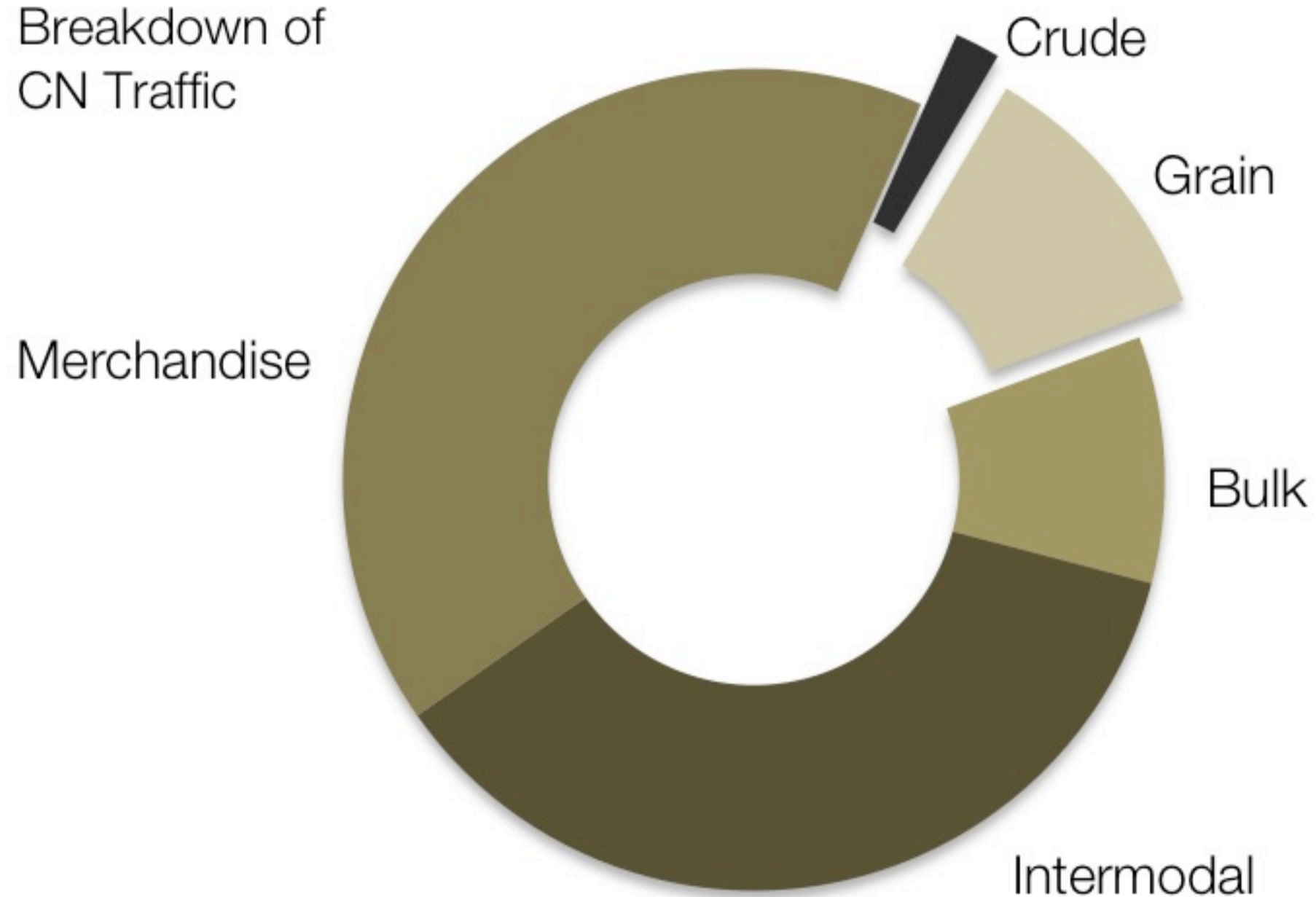
Delivering Safely  
& Responsibly



# What the Grain Situation is **Not** About



Breakdown of  
CN Traffic



Crude is **NOT** the problem

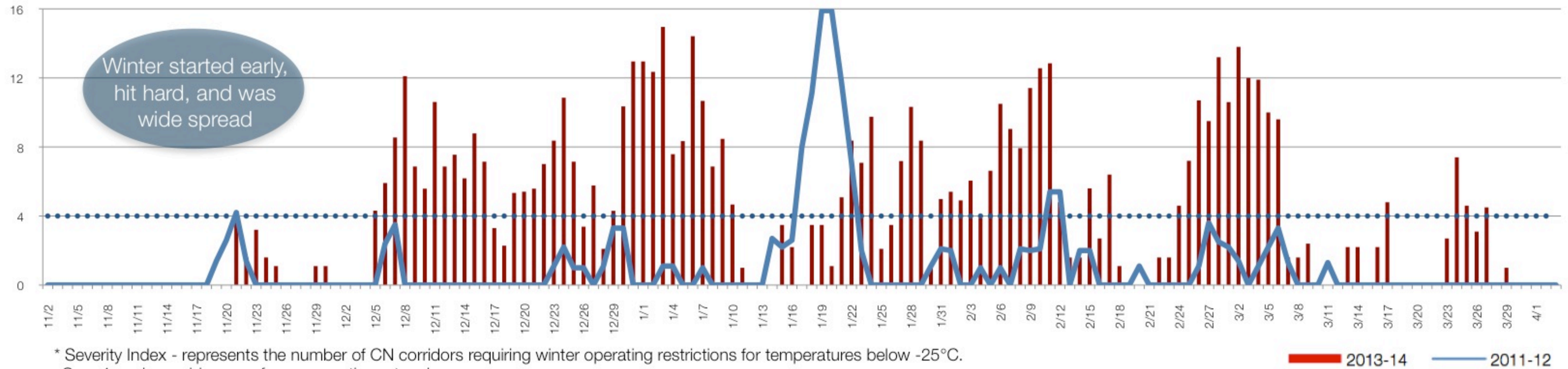
Spotted by  
CN in 2012/13



Railroads are **NOT** flat lining

# It's **Partly** about the **Worst Winter** in Decades

## Weather Severity Index\*



### Q1 2014 vs Q1 2013

Train Speed

CN

-5.3%

Industry Average<sup>1</sup>

-9.2%

Reduced train speeds

Terminal Dwell

-11.5%

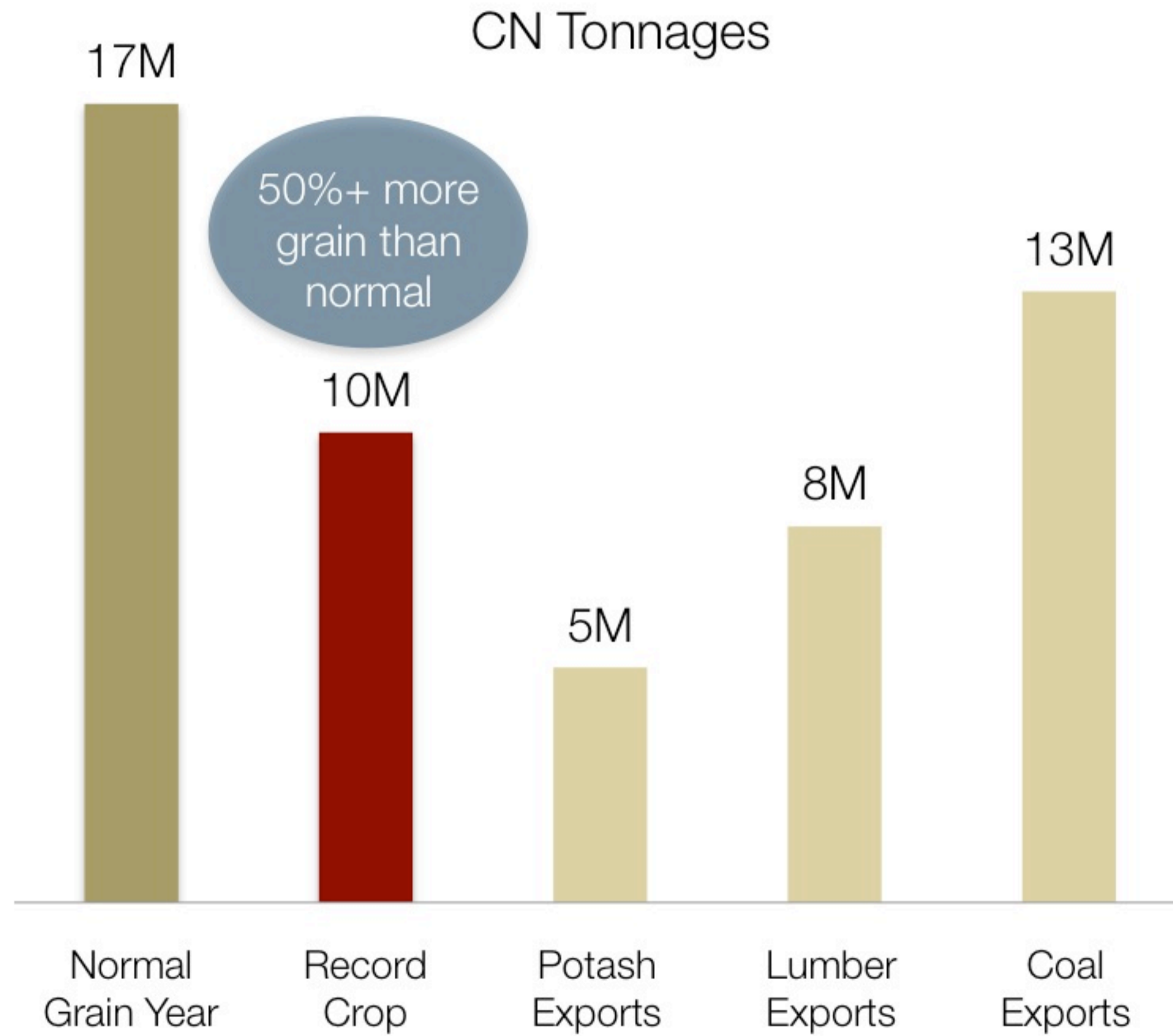
-24.1%

Longer dwell times

<sup>1</sup> Industry average includes: CP, CSX, NS, KCS, BNSF, UP.



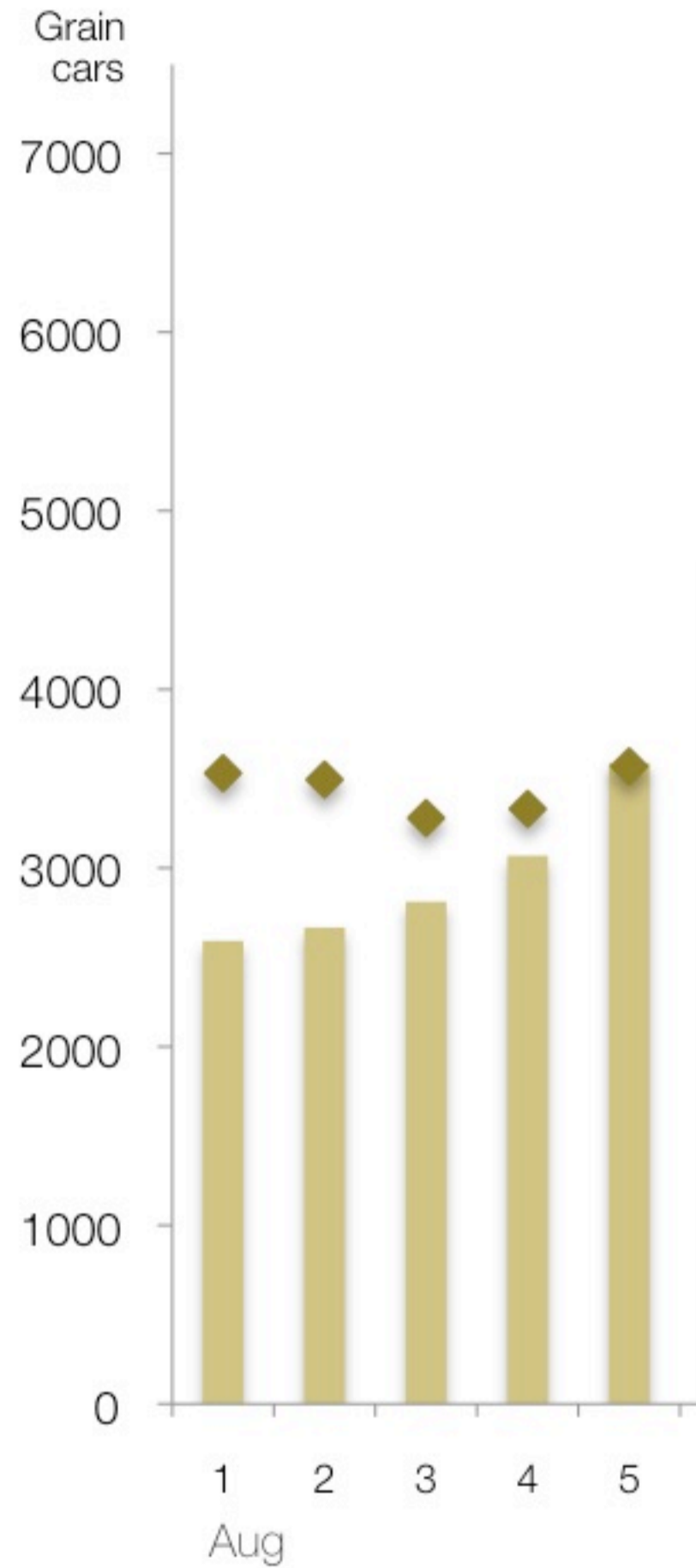
# Clearly, it's about a 100-Year Crop



- Late planting, but perfect conditions afterwards led to 76M tonne crop
- Just right mix of temperature and moisture
- Ag Canada not forecasting anything like 76M tonnes for many years to come
- No supply chain in the world can reasonably be expected to move so much extra tonnage in a matter of months



# Plenty of Railway Capacity Initially Left Unused



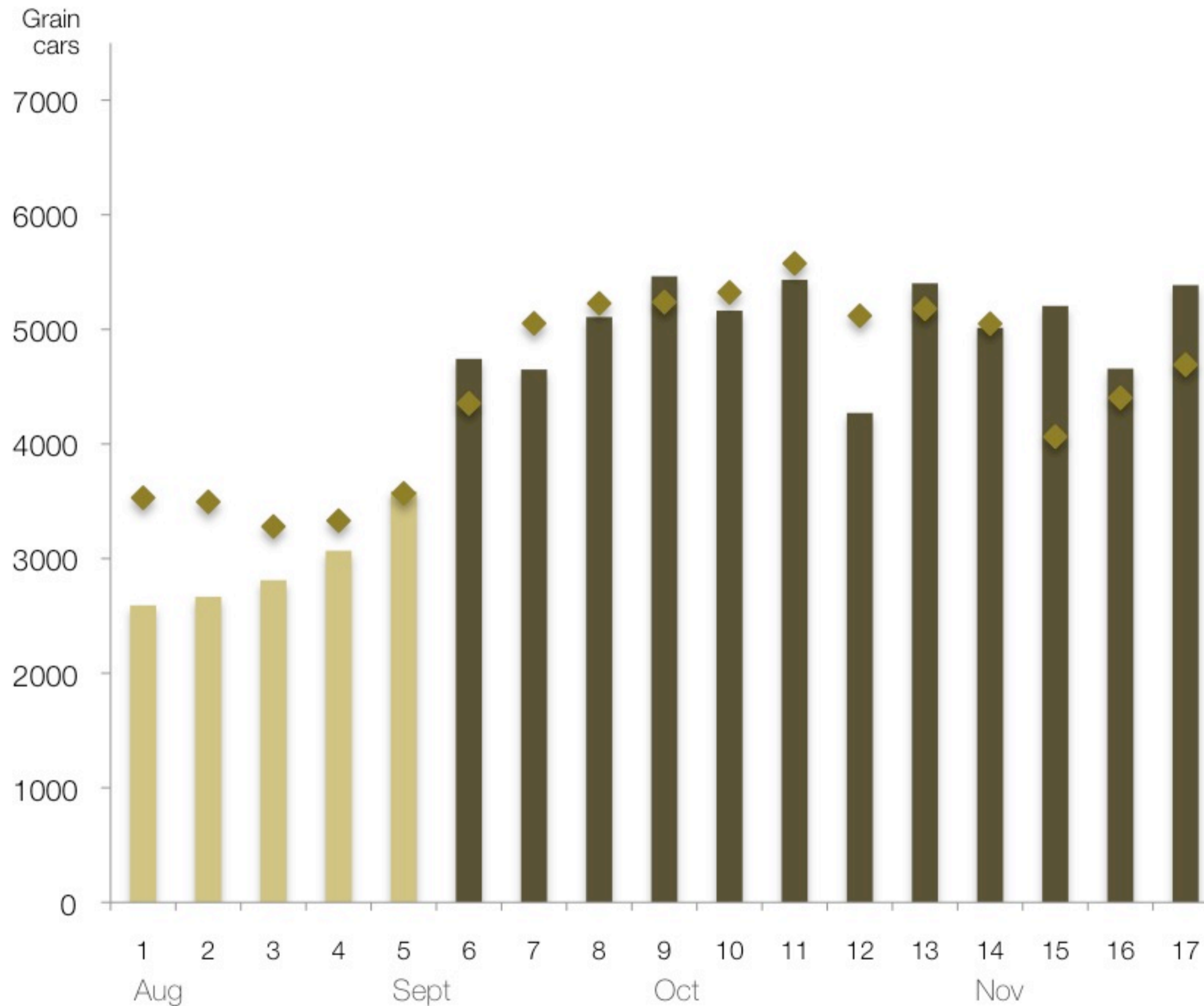
■ Cars Spotted – This Crop Year

◆ Spotted – Last Crop Year

- Huge crop maturing in the countryside
- Yet Grain Elevator Car orders were well below rail capacity
- More than 10,000 cars not tapped in the first few weeks of a huge crop year



# Then CN Moved into High Gear



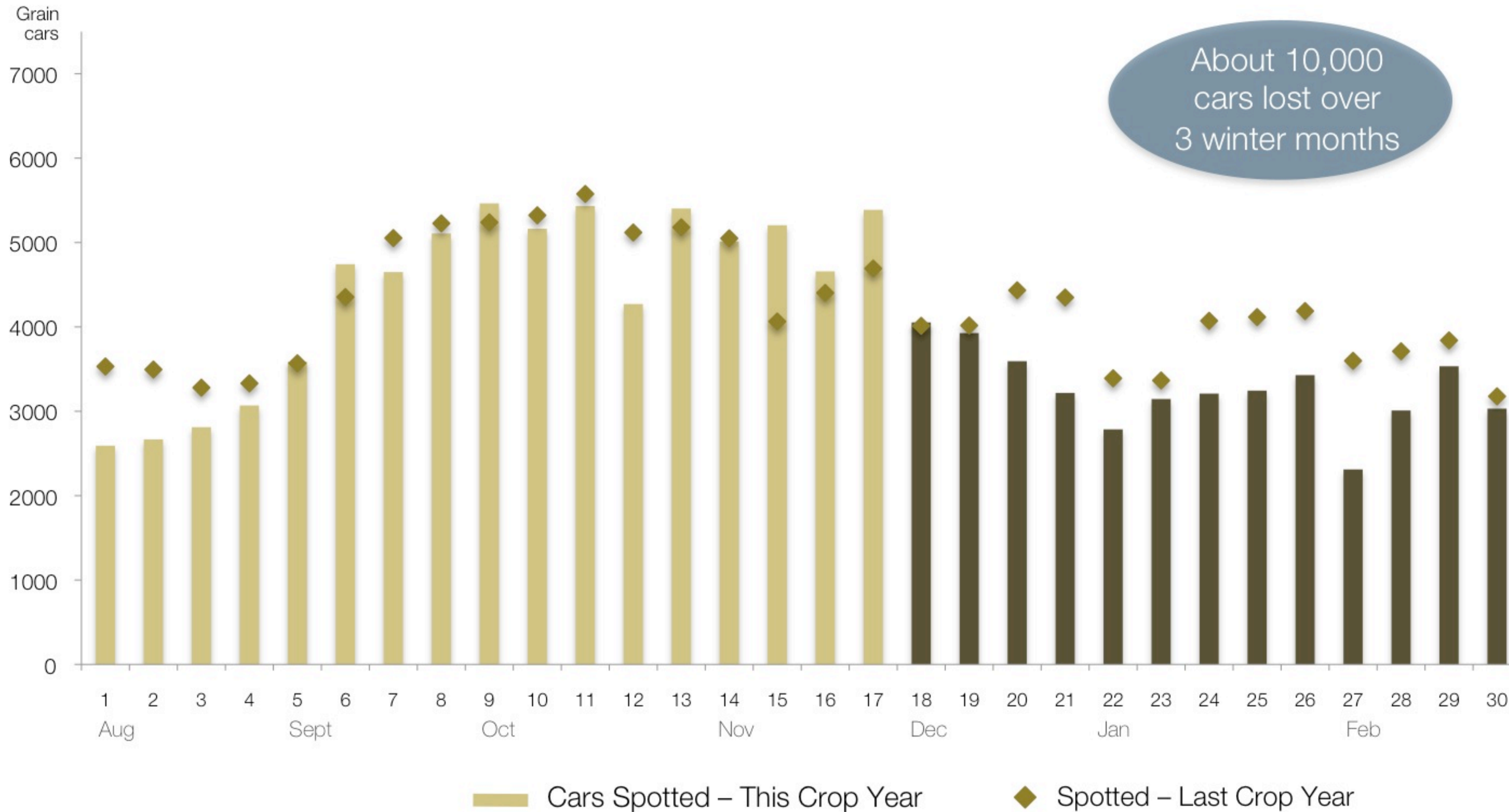
— Cars Spotted – This Crop Year

◆ Spotted – Last Crop Year

- Record spotting, 21% higher than the average fall
- Clear indication of rail surging capacity, with more cars and locomotive brought in
- Eight weeks above 5,000 spots, starting in early September

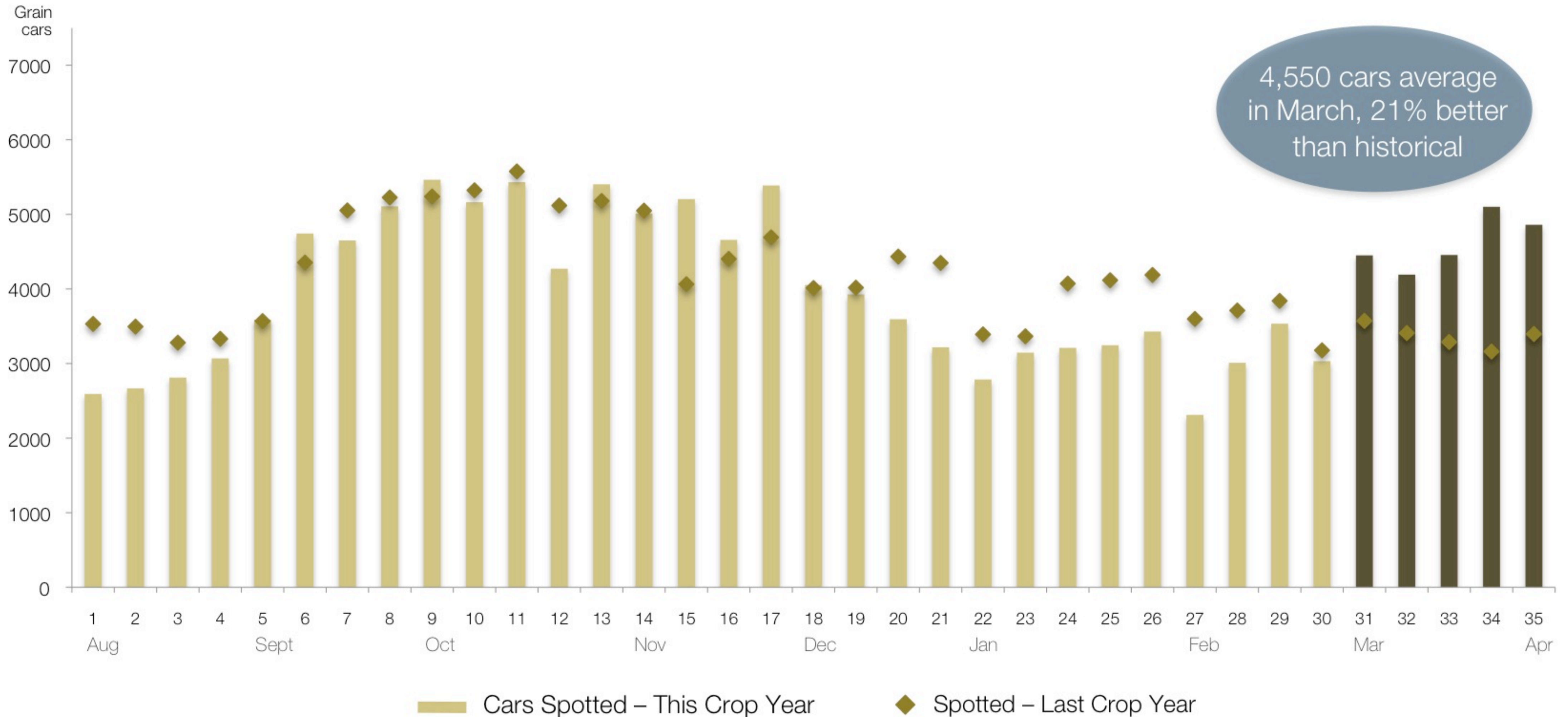


# And the **Winter** of a Lifetime **Hit**



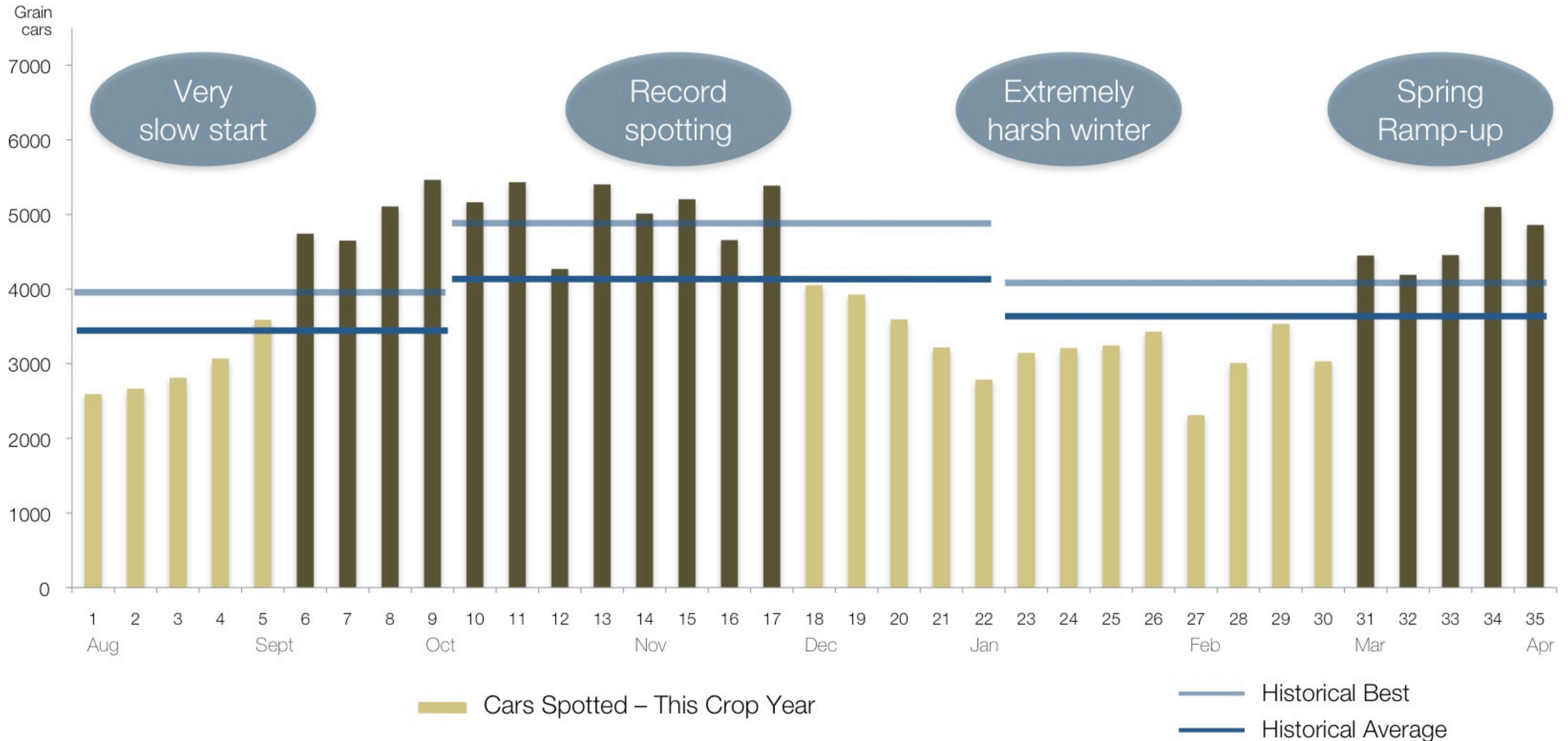


# Quick Ramp-up as Soon as Winter Broke



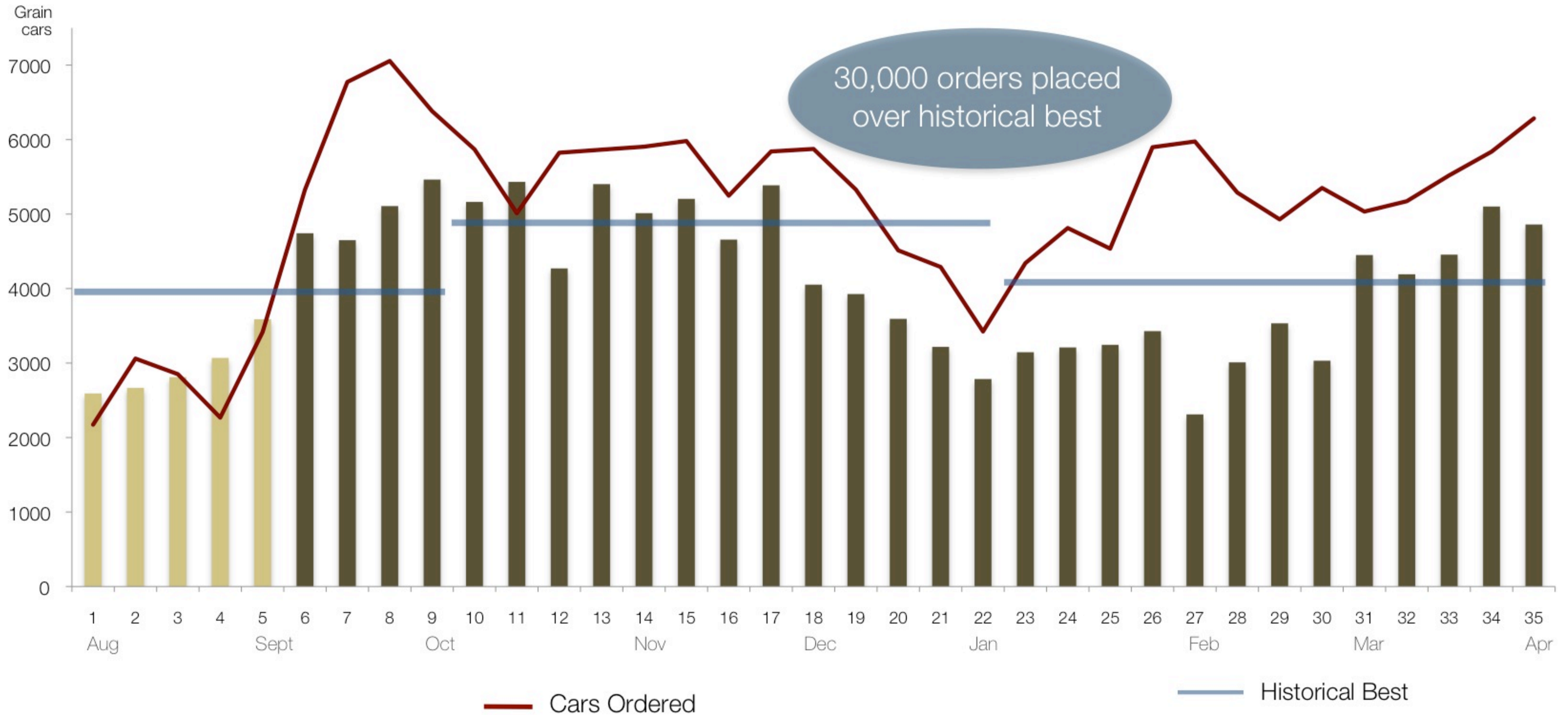


# Putting Benchmarks in Perspective



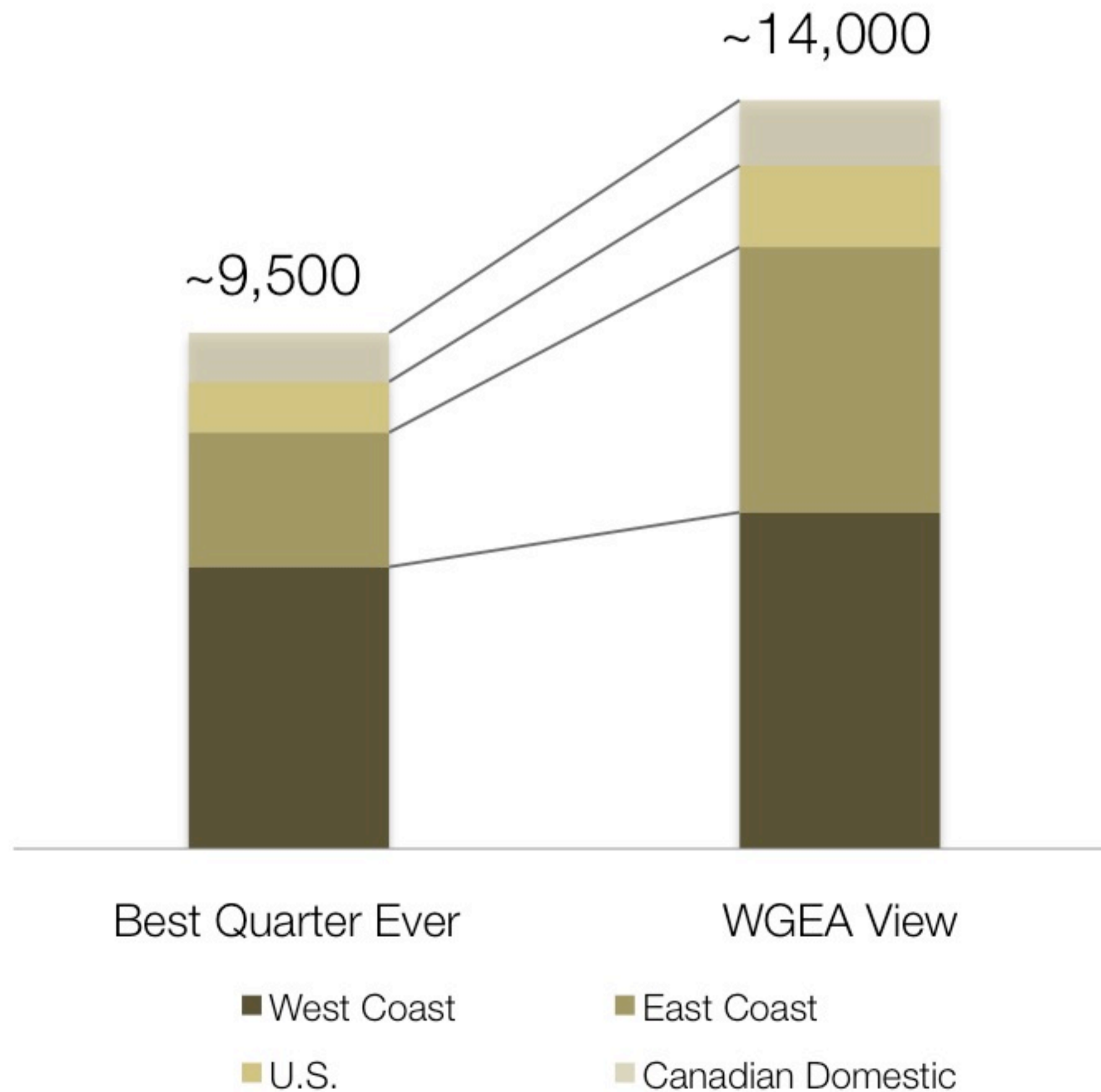


# Clear Pattern of Over-Ordering by Grain Companies





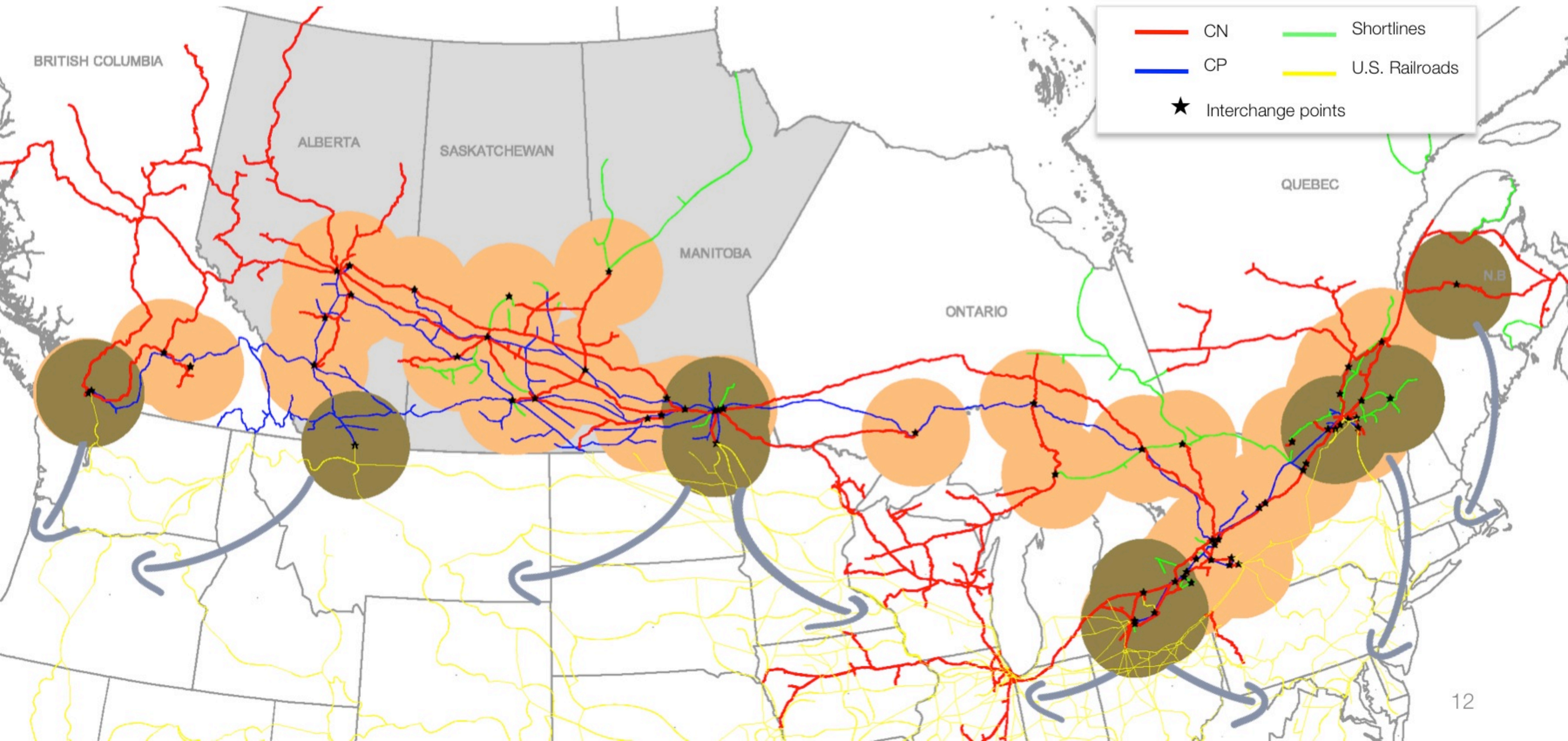
# Advocacy and Regulation Don't Move Grain



- Need the facts, not fantasies
- Need alignment across the supply chain
- Need accountability for results



# Extending Interswitching Doesn't Move Grain





# Why Rail Re-Regulation is **Not the Solution**

Does nothing to deal with the efficiency of the Grain supply chain

- Promotes finger-pointing and reduces alignment
- Undermines potential for collaboration and mutual trust

Has all the ingredients to damage the economy

- Stifles the pursuit of innovation and drives inefficiencies
- Hurts investments, jobs, taxes across Canada

Proposed grain regulation will turn back the clock 50 years

- More government control than seen since the sixties
- All because of a 100-year crop and the winter of a lifetime

It's about **extreme** circumstances

- A 100-year crop
- The winter of a lifetime

It's about creating the **right** incentives

- Based on commercial and economic realities

It's especially about **better** coordination

- Rail re-regulation is bad policy for Canada



Together



Moving goods,  
helping foster prosperity