June 15, 2021

The Honorable Martin Oberman
Chairman
U.S. Surface Transportation Board
395 E St SW, Washington, DC 20423
Washington, D.C.

Dear Chairman Oberman:

I hope this letter finds you and yours staying healthy and doing well during these challenging times. I appreciate your letter of May 27, 2021 asking about our railroad’s resilience as the nation continues to recover from the COVID-19 pandemic. On behalf of our more than 24,000 North American employees, CN is committed to safely and reliably meeting the needs of the economy and of our customers. As CN reported after Q1 2021, CN expects traffic to grow between 7% and 9% this year as the economic recovery accelerates. We continue to invest in our employees, locomotives, and railcars to meet customer demands so that we are enable & project our economy forward.

BUILDING OUR TEAM
Based on the latest forecasting available, across our network we are currently looking at hiring 287 new conductors in the remaining month of Q2 2021, approximately 250 new conductors in Q3 2021, and approximately 170 new conductors in Q4 2021. In addition to those new hires, we also currently have 532 employees hired in the past few months that will complete their training before the end of 2021. As of April 2021, CN had 447 more train and engine employees in the United States than July 2020.

Finally, we currently have 433 conductors and approximately 150 maintenance of way employees furloughed across the network in the United States and Canada. In the United States, there are 175 conductors on furlough and no maintenance of way workers. This is mostly due to change in traffic patterns which cause some locations to be in surplus of employees at this time. We expect most of these employees to be recalled before the end of 2021, as volumes continue to grow.

We are not experiencing any workforce shortages in the United States. With the ongoing COVID-19 pandemic, CN continues to have employees who have either tested positive or who are isolating per CDC guidelines.

Hiring plan for 2022 will be dictated by forecasts for the second half of 2022 and the first half of 2023. While the plan will be refined in the upcoming months, CN is committed to supporting the economy, growing with our customers and offering superior service. From day one, each new hire will be imbued with the same commitment to safety that every employee carries with them, across the board.
INVESTING IN THE FUTURE

CN invested $2.9 CAD billion in capital investments in 2020. Over the last three years, CN will have made a $10.3 CAD billion capital investment (about 20% of revenues per year).

I wanted to share recent investments in locomotives and railcars. CN announced in April 2021 that we have ordered 75 locomotives for delivery in 2021 and 2022. The order is based on growth and growth prospects we see over the next 6 to 24 months. In terms of timing, we expect to get roughly 25 of those here in the second half of 2021, and the other 50 in the first half of 2022. This order is in addition to the 260 new locomotives that were acquired since 2018. CN can adjust the timing of the deliveries if volume growth exceeds expectations.

CN announced earlier in May it had placed an order for another 1,000 new generation, high-capacity grain hopper cars. CN leads the industry in moving grain, and the order is part of a larger program to build and renew a fleet of 6,000 hopper railcars over the next three years.

In terms of the availability of equipment resources in the United States, as of May 23, CN had 46 locomotives in long-term storage as compared to 38 locomotives in long-term storage for the same period last year. CN had 155 locomotives in short-term storage as compared to 127 locomotives for the same period last year. This equates to 124 fewer locomotives in storage year over year. As of May 23, CN had 1,783 railcars in storage in the United States as compared to 3,364 railcars in storage for the same period last year.

PLANNING FOR CUSTOMER DEMAND
CN’s hiring and equipment planning is based on forecasted customer demand. Meeting customers’ needs starts with the complex process of forecasting demand. At CN, we use a tool called Precision Planning Process (P3x) as an internal, disciplined process for resource planning.

The system provides a monthly scheduled forum for a cross-functional team with Marketing, Operations, Human Resources and Finance to engage on resource planning. It is a critical process given long lead times for resources in the rail industry, including hiring additional employees and procuring more assets.

It begins with the latest forecast from Marketing, looking out up to 36 months to size what volumes are expected to come our way. The forecast is a combination of information gathered through regular dialogues with customers and internal analysis of economic indicators. CN is constantly looking at improving its forecasting process by exchanging more information with trade expert and our customers about traffic expectations and supply chain dynamics.

The traffic forecast information, detailed to a commodity-origin-destination level, is then translated into train requirements used to determine requisite number of crews, cars and locomotives.
For crew, projected needs are compared to the forecasted supply that depends on different factors, such as current employee base, new hires in training, continuous training requirements, laid off employees, and attrition levels.

Each factor is taken into consideration, down at the crew location level. It is then rolled up to the system level to develop hiring and training plans. We must plan ahead knowing that hiring and training crews requires 6 to 9 months while re-training employees who are recalled to work varies depending on agreement and position however can take anywhere from 1 to 3 months.

For equipment, the demand for locomotives is compared to the forecasted supply that depends on different factors such as current fleet size, new additions, continuous maintenance requirements, bad order status, locomotive productivity, retirements and ongoing locomotive exchange in run through power agreements between railways. A minimum of 10 to 12 months is normally required between order and delivery of locomotives.

The derived demand for railcars is compared to the forecasted supply that depends on different factors, such as current owned and leased fleet size, new additions, bad order status, car velocity, retirements and cycle time, including the time when railcars travel on other railways.

**OPERATING THE NETWORK**

I am proud of what the CN railroads have accomplished in 2021. They have demonstrated unprecedented resilience during the COVID-19 pandemic. I have included below three snapshots available from CN’s website for customers and interested stakeholders with CN’s key weekly metrics. This is in addition to the weekly service information that CN provides to the STB and is available through the Board’s website.

CN’s carload trip plan performance for the United States as of May 23 was 90.0% and its intermodal trip plan performance was 98.5%.

Currently, we are not experiencing any congestion or maintenance outages on our network, which continues to operate without issues.
RTMs increased by 20.8% during Week 22 relative to the comparative period last year. Gains in potash, petroleum crude and international intermodal were partially offset by declines in Canadian grain and Canadian metallurgical coal. Week 22 in 2021 included Memorial Day.

Key Weekly Operating Metrics

Car Velocity (how many miles a car moves per day) represents an all-encompassing operating metric that takes into account the train speed from origination yard to destination yard as well as the time (in hours) that the railcar spends in a yard.

Please note that the methodology for calculating Car Velocity was updated in 2021 to reflect more complete information. Historical Car Velocity figures from 2019-2020 have been adjusted to conform to the current methodology.
In conclusion, I can assure you that CN is well situated to meet the needs and opportunities of the recovery. We have the people and equipment in place to execute. Further, as you know, CN is making a significant investment in the continental long term future by combining with the Kansas City Southern. This unique combination will help build a 21st century railroad, delivering new, greener supply chain solutions and exciting new opportunities for our customers here in the United State and across the continent.

Thank you for your letter and for your continued service to the Surface Transportation Board.

Very Truly Yours,

Jean Jacques Ruest