

CANADIAN NATIONAL RAILWAY CO  
Form 6-K  
October 22, 2015

**FORM 6-K  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934**

For the month of October, 2015

Commission File Number: 001-02413

**Canadian National Railway Company**  
(Translation of registrant's name into English)

**935 de la Gauchetiere Street West  
Montreal, Quebec  
Canada H3B 2M9**  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F  Form 40-F

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes  No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

**Canadian National Railway Company**

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1. 2015 CN Investor Fact Book - Building for the Future

**Item 1**





Except where otherwise indicated, all financial information reflected in this document is expressed in Canadian dollars and determined on the basis of United States generally accepted accounting principles (U.S. GAAP).

For the most up-to-date information, please visit [www.cn.ca/en/investors](http://www.cn.ca/en/investors). A variety of informative documents is available, including annual reports, proxy statements, quarterly earnings, press releases, company presentations and weekly performance metrics.

## COMPANY PROFILE

CN is a world-class transportation leader and the only transcontinental railway in North America. Our 19,600-mile network spans Canada and Mid-America, connecting three coasts: the Atlantic, the Pacific and the Gulf of Mexico. We offer fully integrated rail and other transportation services, including intermodal, trucking, freight forwarding, warehousing and distribution. Our extensive network, along with our co-production arrangements, routing protocols, marketing alliances and interline agreements provide connections to all points in North America and beyond. A true backbone of the economy, CN handles over \$250 billion worth of goods, hauls about 20 per cent of Canada's exports, and carries more than 300 million tons of cargo annually. If you eat it, drive it or use it, chances are we move it.

CN's freight revenues are derived from seven commodity groups representing a diversified and balanced portfolio of goods transported between a wide range of origins and destinations. This product and geographic diversity positions CN to weather economic fluctuations and enhances our potential for growth opportunities. CN is the originating carrier for approximately 85 per cent of traffic moving along our network and close to 70 per cent of our traffic originates and terminates on our network, which allows CN to capitalize on service and asset utilization advantages.

CN is an engaged company, committed to safety for our employees, our customers and the communities in which we operate. CN strives to provide a safe, supportive work environment that values diversity, respect, integrity and pride. With a clear strategic agenda driven by a commitment to safety, innovation, productivity, collaboration and sustainability, CN aims to create value for its customers and shareholders.

2015 CN INVESTOR FACT BOOK



*As used herein, the word “Company” or “CN” means, as the context requires, Canadian National Railway Company and/or its subsidiaries.*

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Certain information included in the *2015 CN Investor Fact Book* constitutes “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws. CN cautions that, by their nature, these forward-looking statements involve risks, uncertainties and assumptions. The Company cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty.

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Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company or the rail industry to be materially different from the outlook or any future results or performance implied by such statements. Important risk factors that could affect the forward-looking statements include, but are not limited to, the effects of general economic and business conditions, industry competition, inflation, currency and interest rate fluctuations; changes in fuel prices; legislative and/or regulatory developments; compliance with environmental laws and regulations; actions by regulators; various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes; labor negotiations and disruptions; environmental claims; uncertainties of investigations, proceedings or other types of claims and litigation; risks and liabilities arising from derailments; and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should be made to “Management’s Discussion and Analysis” in CN’s annual and interim reports, Annual Information Form and Form 40-F filed with Canadian and U.S. securities regulators, available on CN’s website ([www.cn.ca/en/investors](http://www.cn.ca/en/investors)), for a summary of major risks.

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CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable Canadian securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement.

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2015 CN INVESTOR FACT BOOK 2

2015 CN INVESTOR FACT BOOK 3

This year's edition of the *CN Investor Fact Book* is aptly entitled "Building for the Future." Although CN has been an industry leader for many years, we're not content to rest on our laurels. We are intently focused on how to shape our future and the steps we need to take to stay at the forefront of the industry.

The *Fact Book* is an important resource for anyone wanting to learn more about CN. It explains our business model and operating philosophy, our network and equipment, as well as our markets and financials. It lays out our goals in a comprehensive manner. In short, this book has CN covered.

2014 was a good year for CN. Among our many achievements, we moved record volumes, including the largest grain harvest in Canadian history, earned our highest revenues and profits ever, and improved many of our service metrics. CN's growth continues to outpace base economic conditions at low incremental cost. We're building on a strong foundation of Operational and Service Excellence, with an end-to-end supply chain approach. We continue to grow the business by helping our customers to win in their markets and, at the same time, improve our own efficiencies. Our focus on efficiency and profitable growth is the basis for driving solid shareholder value.

A MESSAGE  
FROM  
CLAUDE  
MONGEAU

Some of our other accomplishments in 2014 included launching innovative tools to improve our interaction with customers, such as iAdvise. iAdvise addresses key customer pinch points, especially in the first and last miles of the shipment cycle, by providing merchandise customers with a suite of electronic tools to help them manage their shipments. We also opened two new state-of-the-art training facilities for employees. Our CN Campus delivers a modern, hands-on training curriculum focused on instilling a strong safety culture and upgrading skills for hundreds of railroaders every week. Our sustainability practices confirmed CN as the leader in the Transportation and

Transportation Infrastructure sector of the Dow Jones Sustainability World Index and we were named to the CDP Climate Performance Leadership Index.

On a personal note, January 2015 marked five years since I became the President and CEO of CN. I am very proud of how we've performed since 2010, through innovation, teamwork, careful planning and solid execution. One of the amazing transformations that has happened since 2010 has been our workforce renewal. Well over half of CN employees today were not with us five years ago. The fact that we're still an industry leader despite that much change is a testament to how well our new recruits are being onboarded and adopting the CN way of railroading.

Our entire team is focused on building the CN of the future. We are determined to strengthen CN's role as a true backbone of the economy and continue to do so with an unwavering commitment to safety. We continue to invest ahead of the curve to support our growth agenda. In 2015, CN is planning to invest \$2.7 billion to maintain network integrity and fluidity, and to grow the business at low incremental cost.

Looking ahead, I feel tremendous confidence in our franchise, our opportunities and our people. We have a proven business model and demonstrated ability to execute and deliver every day. In this, our 20th year since CN's privatization, I look forward to building a solid future for the next 20 years.

**Claude Mongeau**

President and CEO

## LEADERSHIP TEAM

**Claude Mongeau** became President and Chief Executive Officer of CN on January 1, 2010. He joined CN in May 1994 and has held the positions of Vice-President Strategic and Financial Planning, and Assistant Vice-President Corporate Development. He was appointed Executive Vice-President and Chief Financial Officer in October 2000.

**Sean Finn** was appointed Executive Vice-President Corporate Services and Chief Legal Officer in December 2008. He is responsible for a wide array of legal, government, regulatory, public affairs, risk mitigation and security matters. Mr. Finn joined CN in January 1994 and led the Company's corporate tax function. He was appointed Treasurer and Principal Tax Counsel in August 1996, Vice-President Treasurer and Principal Tax Counsel in January 2000, Senior Vice-President, Chief Legal Officer and Corporate Secretary in December 2000, and Senior Vice-President Public Affairs, Chief Legal Officer and Corporate Secretary in February 2003.

**Luc Jobin**, CN's Executive Vice-President and Chief Financial Officer, joined CN in mid-2009 to oversee the Company's financial management and strategic planning. In January 2010, Mr. Jobin also assumed responsibility for the information technology function at CN. From 2005 to 2009, Mr. Jobin was an Executive Vice-President of Power Corporation of Canada. Before that, he spent 22 years with Imasco Limited and Imperial Tobacco, rising to President and CEO.

**Jean-Jacques Ruest** was appointed Executive Vice-President and Chief Marketing Officer in January 2010, with responsibility for providing strategic



direction and leadership for CN's Sales, Marketing and CN Supply Chain Solutions groups. Mr. Ruest joined CN in 1996 as Vice-President Petroleum and Chemicals. He was appointed Vice-President Industrial Products in 2003, Vice-President Marketing in 2004 and Senior Vice-President Marketing in June 2006.

**Jim Vena** was appointed Executive Vice-President and Chief Operating Officer in February 2013. Mr. Vena joined CN in 1977 as a Brakeman and worked in numerous operating jobs from Yardmaster, Conductor and Locomotive Engineer to Trainmaster and Superintendent, among other duties. In 2005, he was named Vice-President of CN's Champlain District. In 2006, he was appointed Vice-President Operations Eastern Region and then Senior Vice-President Eastern Region. He became Senior Vice-President Western Region in June 2007. Prior to his most recent appointment, Mr. Vena had served as Senior Vice-President Southern Region since April 2009.

**Janet Drysdale** was appointed Vice-President Investor Relations in December 2012. Prior to that, she had been Director Economics and Strategy since October 2009. Ms. Drysdale joined CN in 1996, initially working as a Project Officer before moving to positions of increasing responsibility in Sales & Marketing, Investor Relations and Financial Planning.

**Kimberly Madigan** was appointed Vice-President Human Resources in January 2010. In her role, she is responsible for managing CN's Human Resources, Labor Relations and Medical Service groups. Ms. Madigan joined CN in 1999 as Vice-President Human Resources for CN's U.S. operations. She assumed network-wide responsibilities in 2002 as Vice-President Labor Relations for North America and Vice-President People in June 2009.

## A TRANSFORMATIONAL JOURNEY

In 2015, CN is celebrating the 20th anniversary of our Initial Public Offering (IPO). It has been a remarkable transformational journey since the Government of Canada privatized CN on November 17, 1995. The privatization of CN was the largest in Canadian history, raising \$2.2 billion for government coffers.

We've made huge strides since that day. Once considered an industry laggard and largely a Canada-only enterprise, CN today is one of the leaders of the North American rail industry in terms of efficiency and service. We span eight Canadian provinces and 16 U.S. states, transporting freight traffic seamlessly over a 19,600-mile network that reflects more than \$8 billion of acquisitions since 1998. CN has taken the lead in developing collaborative supply chain solutions, emphasizing new first-mile/last-mile services for merchandise freight, and scheduled services for bulk freight.

## BUILDING A STRONG FRANCHISE THROUGH ACQUISITIONS

Building from a strong core Canadian network, CN has made several strategic acquisitions since privatization:

### **1998**

#### **Illinois Central**

This ground-breaking addition linked Canada to the Gulf of Mexico and made CN the fifth-largest railroad in North America (based on revenues), increasing its competitiveness with trucking and other railways.

### **2001**

#### **Wisconsin Central**

This addition filled an important gap at the heart of CN's transcontinental network with a direct link from Western Canada into Chicago, IL.

### **2004**

## **BC Rail**

CN strengthened its forest products franchise and extended its reach into northern British Columbia.

## **Great Lakes Transportation**

This acquisition allowed CN to gain new efficiencies in network performance, and become a major player in the commodities stream for the U.S. steel industry.

## **2009**

### **Elgin, Joliet and Eastern**

For the first time, CN linked its five rail lines entering Chicago from all directions into one seamless system around the city, creating an important competitive advantage.

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## BUILDING A SOLID OPERATING MODEL

As a Precision Railroad® – CN’s business model that ensures disciplined operational execution and intense asset utilization – we’ve transformed ourselves into one of the most efficient railroads in North America. By balancing Operational and Service Excellence, we continue to drive asset utilization and productivity while also improving end-to-end customer service. Our unique supply chain approach is redefining the way we interact with customers and supply chain partners.

At CN, we believe that safety is the key to outstanding railroading. Our vision is to be the safest railroad in North America by building a strong safety culture. That’s why CN invests significantly in training, coaching, recognition and employee involvement initiatives. We also understand that minimizing our environmental footprint is fundamental to achieving sustainable business success.

## BUILDING THE NEXT GENERATION OF RAILROADERS

The most important success factor for CN is our people. Since 2010, CN has hired 14,000 employees to renew our workforce because of attrition, retirements and our growing business. This seismic shift represents over half of our workforce! In 2014 alone, we onboarded more than 3,900 new employees. A cornerstone of this renewal is CN’s \$55-million investment in two state-of-the-art training centres in Winnipeg, MB, and Homewood, IL. Through our CN Campus, we are providing hundreds of CN students a week with consistent hands-on training for all key railway jobs.

## REWARDING SHAREHOLDERS

With a clear strategic agenda, driven by a commitment to running trains safely, minimizing our environmental impact, and striving for innovation, productivity, and supply chain collaboration, CN continues to aim to create value for our shareholders. This value goes far beyond the long-term appreciation of our share price, which has grown at a compound annual rate of close to 20 per cent over the past 20 years. We also return significant amounts of dollars each year in the form of dividends and share repurchases (\$2.3 billion in 2014).

## CONSISTENT DIVIDEND PAYMENT

CN's dividend policy is based on our overall financial performance and cash flow generation. Decisions on dividend payout are made on an annual and quarterly basis by our Board of Directors. CN has increased its dividend 19 consecutive times since 1995 at an average compound annual growth rate of 17 per cent. Earlier in 2015, CN's Board of Directors approved a 25 per cent increase in the quarterly dividend to common shareholders, from \$0.2500 per share in 2014 to \$0.3125 per share in 2015. For Canadian and U.S. tax information regarding CN dividends, please consult [www.cn.ca/en/investors](http://www.cn.ca/en/investors).

## OPPORTUNISTIC SHARE REPURCHASE PROGRAM

CN has created significant value for shareholders through regular share repurchases since its first buyback program in 2000. The Company may repurchase shares pursuant to a normal course issuer bid at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the Toronto Stock Exchange. Up to the end of 2014, CN repurchased over 550 million shares through normal course issuer bids for a total cash expense of close to \$14 billion. The current share repurchase program runs from October 24, 2014 until no later than October 23, 2015. It allows for the buyback of up to 28 million common shares, representing 3.9 per cent of the common shares outstanding not held by company insiders on October 15, 2014.

## STRONG FINANCIAL PERFORMANCE

The strength of our franchise is evidence that CN can deliver the goods in more ways than one. Operational and Service Excellence is at the heart of our objective to grow the business faster than the overall economy and achieve this growth at low incremental cost. CN is committed to creating superior value for shareholders through sustainable financial performance, including strong free cash flow. We expect our strategy of pursuing deeper customer engagement as well as service and productivity improvements to support these efforts.

CN has split its stock on four occasions in the 20 years since the IPO. The most recent, a two-for-one stock split, occurred in 2013.

### **CN stock splits**

<b>Pay date</b>	<b>Split ratio</b>
September 27, 1999	2 for 1
February 27, 2004	3 for 2
February 28, 2006	2 for 1
November 29, 2013	2 for 1



## FINANCIAL &amp; OPERATIONAL MEASURES

<b>Financial measures</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Key financial performance indicators</b>					
Total revenues (\$ millions)	8,297	9,028	9,920	10,575	<b>12,134</b>
Rail freight revenues (\$ millions) <sup>(1)</sup>	7,728	8,450	9,306	9,951	<b>11,455</b>
Operating income (\$ millions)	3,024	3,296	3,685	3,873	<b>4,624</b>
Adjusted diluted earnings per share (\$) <sup>(2)</sup>	2.10	2.41	2.81	3.06	<b>3.76</b>
Free cash flow (\$ millions) <sup>(3)</sup>	1,618	1,746	1,661	1,623	<b>2,220</b>
Gross property additions (\$ millions)	1,718	1,712	1,825	2,017	<b>2,297</b>
Share repurchases (\$ millions)	913	1,420	1,400	1,400	<b>1,505</b>
Dividends per share (\$)	0.54	0.65	0.75	0.86	<b>1.00</b>
<b>Financial position</b>					
Total assets (\$ millions)	25,206	26,026	26,659	30,163	<b>31,792</b>
Total liabilities (\$ millions)	13,922	15,346	15,641	17,210	<b>18,322</b>
Shareholders' equity (\$ millions)	11,284	10,680	11,018	12,953	<b>13,470</b>
<b>Financial ratios</b>					
Operating ratio (%)	63.6	63.5	62.9	63.4	<b>61.9</b>
Adjusted debt-to-total capitalization ratio (%) <sup>(4)</sup>	36.8	40.0	40.4	39.4	<b>40.1</b>
Adjusted debt-to-adjusted EBITDA multiple <sup>(4)</sup> (times)	1.69	1.69	1.61	1.72	<b>1.58</b>

*In 2014, certain Other revenues were reclassified to the commodity groups within rail freight revenues. This change has no impact on the Company's previously reported results of operations as Total revenues remain unchanged. The 2010 to 2013 comparative figures have been reclassified in order to be consistent with the 2014 presentation.*

*<sup>(1)</sup> See the section entitled Adjusted performance measures in the MD&A of the 2014 Annual Report for an explanation of this non-GAAP measure.*

*<sup>(2)</sup> See the section entitled Liquidity and capital resources – Free cash flow in the MD&A of the 2014 Annual Report for an explanation of this non-GAAP measure.*

*<sup>(3)</sup> See the section entitled Liquidity and capital resources – Credit measures in the MD&A of the 2014 Annual Report for an explanation of this non-GAAP measure.*

*See page 146 for a reconciliation of non-GAAP measures.*

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<b>Operational measures<sup>(1)</sup></b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Statistical operating data</b>					
Gross ton miles (GTMs) ( <i>billions</i> )	341.2	357.9	383.8	401.4	<b>448.8</b>
Revenue ton miles (RTMs) ( <i>billions</i> )	179.2	187.8	201.5	210.1	<b>232.1</b>
Carloads ( <i>thousands</i> )	4,696	4,873	5,059	5,190	<b>5,625</b>
Route miles ( <i>includes Canada and the U.S.</i> )	20,600	20,000	20,100	20,000	<b>19,600</b>
Employees ( <i>end of period</i> )	22,444	23,339	23,430	23,721	<b>25,530</b>
Employees ( <i>average for the period</i> )	22,055	23,079	23,466	23,705	<b>24,635</b>
<b>Key operating measures</b>					
Rail freight revenue per RTM ( <i>cents</i> ) <sup>(2)</sup>	4.31	4.50	4.62	4.74	<b>4.93</b>
Rail freight revenue per carload (\$) <sup>(2)</sup>	1,646	1,734	1,839	1,917	<b>2,036</b>
GTMs per average number of employees ( <i>thousands</i> )	15,471	15,509	16,354	16,933	<b>18,217</b>
Operating expenses per GTM ( <i>cents</i> )	1.55	1.60	1.62	1.67	<b>1.67</b>
Labor and fringe benefits expense per GTM ( <i>cents</i> )	0.51	0.51	0.51	0.54	<b>0.52</b>
Diesel fuel consumed ( <i>US gallons in millions</i> )	355.7	367.7	388.7	403.7	<b>440.5</b>
Average fuel price ( <i>\$ per US gallon</i> )	2.64	3.39	3.47	3.55	<b>3.72</b>
GTMs per US gallon of fuel consumed	959	973	987	994	<b>1,019</b>
<b>CN-owned rolling stock</b>					
Diesel locomotives ( <i>end of period</i> )	1,839	1,880	1,913	2,029	<b>2,087</b>
Freight cars ( <i>end of period</i> )	70,236	67,796	68,006	67,103	<b>68,432</b>

(1) *Statistical operating data, key operating measures and rolling stock information are unaudited and based on estimated data available at such time and are subject to change as more complete information becomes available. As such, certain of the comparative data have been restated. Definitions of these indicators are provided at the end of this Fact Book or on our website, [www.cn.ca/glossary](http://www.cn.ca/glossary).*

(2) *In 2014, certain Other revenues were reclassified to the commodity groups within rail freight revenues. This change has no impact on the Company's previously reported results of operations as Total revenues remain unchanged. The 2010 to 2013 comparative figures have been reclassified in order to be consistent with the 2014 presentation.*

*(3) See the section entitled Liquidity and capital resources – Free cash flow in the MD&A of the 2014 Annual Report for an explanation of this non-GAAP measure.*

*See page 146 for a reconciliation of non-GAAP measures.*

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CN's business agenda starts with an unwavering commitment to safety and a mindset of balancing Operational and Service Excellence through disciplined execution in all aspects of running our railroad. We work hard to operate more efficient trains, reduce dwell times at terminals and improve overall network velocity. Through these efforts, we strive to provide cost-effective and high-quality service to our customers.

#### OPERATIONAL EXCELLENCE

CN's objective of delivering operational excellence focuses on improving every process that affects the shipment of our customers' goods. Our railroaders are continually monitoring all aspects of CN's operations: scheduling, measuring, executing and reviewing. Constant improvement is a hallmark of how we do business. We never accept the status quo and strive to raise the bar at every opportunity. With this philosophy, fewer railcars and locomotives are needed to ship the same amount of freight in a tight, reliable and efficient operation. We continue to strengthen our commitment to operational excellence through a wide range of innovations anchored in continuous improvement.

BALANCING  
OPERATIONAL  
AND SERVICE  
EXCELLENCE

#### SERVICE EXCELLENCE

For CN, service excellence means expanding our perspective, working closely with customers and supply chain partners to deliver quality end-to-end service. Our goal is to provide broad-based service innovations that benefit customers and allow us to grow profitably. To that end we collaborate with customers and other players to become a true supply chain enabler. We encourage all links in the supply chain to move away from a silo mentality towards daily engagement, information sharing, problem solving and execution. We work

closely with our partners on solutions that will help our customers win in their marketplace. Supply Chain Collaboration Agreements with ports, terminal operators and customers leverage key performance metrics that drive efficiencies across the entire supply chain.

CN's great franchise allows us to offer a wide range of integrated services, including direct access to six port facilities, 17 automotive distribution facilities, 21 forest products transload centres, 21 CargoFlo® bulk distribution terminals, 16 metals and minerals distribution centres, and 21 intermodal terminals across Canada and the U.S.

#### CustomerFIRST

CN is moving to address key customer pinch points, especially in the first and last miles of a shipment, through a portfolio of initiatives called CustomerFIRST. The program is playing an important part in continuously improving service to our customers. Through CustomerFIRST, we have improved our empty railcar management and invoice accuracy. CN is also leveraging technology to connect supply chain partners and expand our e-Business capabilities.

iAdvise, our latest initiative to communicate better with customers, provides merchandise customers with a suite of electronic tools to easily order or release equipment, input all required documentation, and track shipments en route. CN automatically forecasts car deliveries 24 hours in advance and advises customers of any service exceptions in a timely manner to help them manage their inventories and adjust their work schedules. Customers benefit from up-to-date information, directly from the people who plan the local train assignments, and are updated electronically via CN systems.

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**INVESTING** CN is investing significantly to build for the future, increasing capacity and fluidity while enhancing safety and integrity across our network.

**TO**

**SUPPORT** In the five years leading up to and including 2014, CN has spent over \$9.5 billion on capital investments. CN's capital expenditures amounted to \$2.3 billion in 2014. CN expects to invest \$2.7 billion in its capital program in 2015.

**OUR**

**GROWTH**

**AGENDA** REINVESTING IN THE BUSINESS

2015 CN INVESTOR FACT BOOK 23

## TRACK AND ROADWAY

By investing in our track and roadway, CN can enhance the safety and integrity of our plant and increase fluidity and capacity to grow the business efficiently. In 2014, CN invested \$1.6 billion in track and roadway infrastructure, compared with \$1.4 billion in 2013. These expenditures include the replacement of rail, ties and other track materials, as well as bridge improvements. In recent years, CN has also invested in longer sidings to allow for more efficient long-train operations and train-mile savings.

In 2014, CN committed more than \$100 million to upgrade our Edmonton – Winnipeg and Winnipeg – Chicago corridors. On our main line, we installed sections of double track, crossovers and high-speed switches. We also extended sidings and made yard improvements. This is in addition to the \$100 million invested in 2013 to increase capacity on our main line between Edmonton and Winnipeg as well as the parallel secondary Prairie North Line (PNL). Now, the upgraded PNL serves as a “relief valve” for the main corridor, providing flexibility and resilience to the network.

CN’s acquisition in 2009 of the former Elgin, Joliet and Eastern (EJ&E) network that encircles Chicago allowed us to link all five of our rail lines entering Chicago from all directions into one seamless system. By the end of 2014, CN had spent more than US\$125 million on infrastructure improvements to the former EJ&E network, such as improved connections, track extensions and signaling. CN has also invested more than US\$100 million for upgrades to improve the capacity and efficiency of the former EJ&E’s Kirk Yard in Gary, IN, now our principal railcar classification and interchange yard in the Chicago area. In addition, CN has spent roughly US\$80 million to date on environmental and safety mitigation, as well as fulfilling our commitment in the Voluntary Mitigation Agreements CN reached with 28 EJ&E communities. CN will spend approximately US\$45 million more in 2015-16 to complete two grade separations in Illinois mandated by the Surface Transportation Board.

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## ROLLING STOCK

By regularly investing in rolling stock, we are ensuring a modern, fuel-efficient locomotive fleet to drive productivity and to better serve our customers. Additional benefits include lowering our carbon footprint, increasing locomotive reliability and tapping growth opportunities. Between 2012 and 2014, CN acquired 129 new Alternating Current (AC) traction locomotives which provide significantly better rail adhesion for pulling heavier and longer trains. Three AC locomotives can pull the same number of cars as four direct current (DC) locomotives. AC locomotives comply with stringent U.S. Environmental Protection Agency (EPA) standards and have dynamic brake capability at very low speed.

DISTRIBUTED POWER (DP) allows a locomotive to be placed anywhere along the length of a freight train and be remotely controlled from the lead locomotive. Units equipped with DP allow us to run longer, more efficient trains, particularly in cold weather, while improving train handling and safety. At the end of 2014, 590 locomotives in CN's fleet were equipped with DP (about 45 per cent of our high-horsepower locomotive fleet).

In 2014, CN invested \$325 million in rolling stock, compared with \$286 million in 2013. In order to handle expected traffic increases and improve operational efficiency, CN took delivery in 2014 of 60 new AC locomotives and ordered 90 more for delivery in 2015 and another 90 for 2016. Over the last two years, we also ordered over 1,200 new centrebeam cars, typically used for shipping lumber.

## INFORMATION TECHNOLOGY AND SYSTEMS

Access to timely and accurate information is critical to supporting our ongoing efforts to drive innovation and efficiency in customer service, cost control, asset utilization, safety and employee engagement. In 2014, CN invested \$144 million in IT, compared with \$130 million in 2013. Looking ahead, asset telemetry, wireless communications, and the next generation of business intelligence solutions continue to create new opportunities to advance CN's model of Operational and Service Excellence. Improving mobile access to information and expanding the visibility of real-time data continue to enable CN to take an increasingly proactive approach to decision-making, boosting

### **RTBI – Right Time Business Intelligence**



our efficiency and enhancing the consistency, reliability and safety of the service to our customers.

Over the past 10 years, CN has improved overall locomotive fuel productivity by approximately 20 per cent. Today, CN leads the North American rail industry in fuel efficiency, consuming close to 15 per cent less fuel per GTM than the industry average. In 2015, we're targeting an additional 1.5 per cent improvement, which goes straight to the bottom line.

IT plays a key role in CN's fuel-efficiency improvements, given the importance of systems that allow fuel usage measurements and monitoring. Our Fuel Management Excellence program aims to reduce fuel consumption and greenhouse gas emissions with state-of-the-art technologies and better train handling. Here are a couple of examples:

**Horsepower Tonnage Analyzer** is an initiative to match horsepower to tonnage. If a train is moving overpowered, the crew receives instructions to shut down one of the units or reduce the notch at which it is operating in order to conserve fuel, without affecting the schedule.

**Wi-Tronix®**, a locomotive telemetry system, standardizes and transmits locomotive event recorder data – speed, notch, direction, location, fuel consumption, etc. – in real time to the CN data centre from anywhere in North America. The information is used to support fuel conservation, safety monitoring, locomotive health monitoring and incident investigation. In 2014, CN had approximately 1,350 Wi-Tronix® recorders installed on locomotives.

## CREATING VALUE FOR CUSTOMERS

Innovation and customer service have been at the centre of CN's business model for 20 years. Today, our unique supply chain approach is redefining the way we interact with customers, suppliers and other partners. By deepening customer engagement, leveraging the strength of our franchise, and delivering Operational and Service Excellence, CN seeks to provide quality and cost-effective service that creates value for our customers.

### CustomerFIRST

We are sharpening our focus through a portfolio of initiatives called CustomerFIRST. We are moving to address key customer pinch points and provide greater visibility, especially in the first and last miles of a shipment. In 2011, CN launched the first of several key initiatives to improve how we do business with our customers. The program has played an important part in generating good service reviews from customers. Some of the initiatives include:

**Private Pipeline Management** provides enhanced management tools to customers who own their own railcars

**Standardized Service Delivery** provides common processes and tools across our regional Service Delivery Centres

**First-Mile/Last-Mile Focus** provides meaningful and accurate visibility on shipments in the first and last miles of a trip

**Supply Chain Tools** improve decision-making across supply chain partners

## SUPPLY CHAIN INNOVATION

Over the past few years, we've raised our game through an approach that looks at the entire movement of goods through the complete supply chain; not just how we handle our portion of the process. We are increasingly involved in every step of the way, working with all supply chain players to improve how products and material get to where they need to be.

CN's major push in first-mile/last-mile activities is all about quality interaction with customers from end-to-end:

- Developing a sharper outside-in perspective
- Better monitoring of traffic forecasts
- Higher and more responsive car order fulfillment
- Proactive customer communication at the local level supported by iAdvise, an information tool that is improving the reliability and consistency of shipment information

This mindset is driving solid results. We have some of the best transit times in the industry and a spotlight on all customer touch points. At CN, our focus on seamless end-to-end transportation solutions helps to make our customers more competitive in their own markets, both at home and abroad.

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## SELL ONE CN

Sell One CN is all about selling the whole portfolio of CN services through a “single point of contact.” Understanding the scope of our customers’ supply chain is key, as is proposing the right suite of services to meet their business needs. After all, that’s what being a supply chain enabler is all about. Our suite of services includes: rail, intermodal, customs, bulk handling, freight forwarding, trucking, warehousing, rail barge and ferry.

As part of the Sell One CN model, we look for ways to offer greater flexibility and increased capacity to our customers so they can move their product quickly and efficiently to market. For example, we’re providing our traditional carload customers (e.g., lumber, panels, pulp, steel or grain) with innovative intermodal solutions that improve their productivity and help us grow against trucking. This co-operative approach is a win-win for CN and our customers.

## CUSTOMER SERVICE – IT’S IN OUR DNA

At CN, we’ve broadened our commitment to service excellence through a wide range of continuous improvement innovations. For example, in bulk markets, the CN Scheduled Grain Plan Service has resulted in much improved car-spotting reliability and shows how we’re driving fundamental innovation in the industry. In manufacturing markets, be it forest products or metals, CN is focused on better car order fulfillment to gain market share one carload at a time. In intermodal, CN is taking advantage of supply chain agreements to open up new gateway markets, building on mutual trust and continuous improvement of key performance metrics.

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## iADVISE

iAdvise, the latest initiative in CN's first-mile/last-mile strategy to communicate better with customers, built critical mass in 2014 when the program was rolled out for CN's largest merchandise customers, with smaller customers also coming on stream in 2015.

iAdvise began with notifying customers about service exceptions in a timelier manner to help them adjust their work plans. It has now evolved into an innovative set of tools and processes to further improve the way CN works and communicates with our customers.

Using iAdvise, we send Local Service Notifications to customers. These messages automatically notify customers of work to be done when the Daily Operating Plan is committed to – before the switching assignment leaves the classification yard. In addition to receiving this notification, customers have access to CN's new first-mile/last-mile report on e-Business, which includes CN's new Delivery Date commitment.

This tool provides CN customers with more visibility on the status of traffic moving on our system as well as the cars at the destination yard and at their facilities. This increased visibility and accuracy – the customer, CN service delivery representatives, account managers and trainmasters all share common information – helps customers better plan their operations.

CN believes timely, accurate information is key to building customers' confidence. iAdvise has the potential to build their trust and elevate CN ahead of the competition.

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DELIVERING ON OUR GROWTH AGENDA

It is our stated objective to grow the Company faster than the overall economy, and to do so at low incremental cost. Over the past five years, CN has demonstrated a strong track record of growth, outpacing both the economy and industry by a wide margin. This was especially true in 2014 when our carloads and RTMs grew by a full three basis points faster than our industry peers.

(1) *Includes Canadian Pacific, Norfolk Southern, CSX, Union Pacific and Kansas City Southern*

(2) *Sources: U.S. Federal Reserve and Statistics Canada*

We are accomplishing this strong performance through our business model which is based on continuous service improvement, a supply chain approach that allows us to grow with our customers, and a culture that encourages nimbleness and the ability to seize opportunities quickly.

CN's end-to-end collaboration is fostering growth and efficiencies throughout the entire supply chain. For example:

Intermodal growth has been fueled by CN's increasing share of trade with Asia, where our end-to-end service from the West Coast has resulted in record-high shipment volumes.

During the 2013-14 crop year, CN helped Canada to move its largest-ever grain crop and set an all-time record for grain exports. This was achieved despite the worst winter conditions in several decades.

The U.S. housing market is recovering steadily from the lows of the Great Recession and CN is quick to take advantage of opportunities.

- Potash demand continues to grow and Canada has a strong competitive position in world markets.

CN's private car management team has fostered strong relationships with key customers in the areas of fuel, liquefied petroleum gas (LPG), plastics, liquid sulfur, crude oil and frac sand. The team provides rail logistics expertise that has reduced private car dwell times and improved car velocity, resulting in higher volumes on the network.

With a clear strategic plan driven by our commitment to Operational and Service Excellence, CN creates value for our customers and shareholders.

	<b>Revenues</b>			<b>Carloads</b>		
	<i>\$ millions</i>			<i>thousands</i>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>2014</b>	<b>2013</b>	<b>Change</b>
Petroleum & chemicals	2,354	1,952	21%	655	611	7%
Metals & minerals	1,484	1,240	20%	1,063	1,048	1%
Forest products	1,523	1,424	7%	433	446	(3%)
Coal	740	713	4%	519	416	25%
Grain & fertilizers	1,986	1,638	21%	640	572	12%
Intermodal	2,748	2,429	13%	2,086	1,875	11%
Automotive	620	555	12%	229	222	3%
<b>Total rail freight</b>	<b>11,455</b>	<b>9,951</b>	<b>15%</b>	<b>5,625</b>	<b>5,190</b>	<b>8%</b>
Other	679	624	9%			
<b>Total</b>	<b>12,134</b>	<b>10,575</b>	<b>15%</b>			

BUSINESS

UNIT

OVERVIEW

	<b>RTMs</b>			<b>Rail freight revenue/RTM</b>		
	<i>millions</i>			<i>cents</i>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>2014</b>	<b>2013</b>	<b>Change</b>
Petroleum & chemicals	53,169	44,634	19%	4.43	4.37	1%
Metals & minerals	24,686	21,342	16%	6.01	5.81	3%
Forest products	29,070	29,630	(2%)	5.24	4.81	9%
Coal	21,147	22,315	(5%)	3.50	3.20	9%
Grain & fertilizers	51,326	43,180	19%	3.87	3.79	2%
Intermodal	49,581	46,291	7%	5.54	5.25	6%
Automotive	3,159	2,741	15%	19.63	20.25	(3%)
<b>Total rail freight</b>	<b>232,138</b>	<b>210,133</b>	<b>10%</b>	<b>4.93</b>	<b>4.74</b>	<b>4%</b>

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CN serves petroleum and chemical producers throughout Canada and the U.S., with expertise in the Alberta Heartland, Eastern Canada as well as the Gulf of Mexico. Most of our petroleum and chemicals shipments originate in:

- The Louisiana petrochemical corridor between New Orleans and Baton Rouge
- Western Canada, a key oil and gas development area and a major centre for natural gas feedstock and world-scale petrochemicals and plastics
- Regional plants in Eastern Canada

The Petroleum and Chemicals group comprises a wide range of commodities, including chemicals and plastics, crude oil, natural gas liquids, refined petroleum products and sulfur. The primary markets for these commodities are within North America and, as such, the performance of this commodity group is closely correlated with the North American economy as well as oil and gas production.

PETROLEUM  
&  
CHEMICALS

#### CHEMICALS AND PLASTICS

The current low natural gas price environment in North America is having a positive effect on the chemicals and plastics sector. Lower feedstock and energy costs are leading to new investments that increase the productivity of North American plastics and chemical plants – creating opportunities for CN. These streamlined plants are in areas where CN enjoys significant market share, namely the Louisiana petrochemical corridor, northern Alberta and southern Ontario. The increased production is serving solid demand in the automotive, construction and packaging sectors.

CN works with both producers and receivers to establish end-to-end supply chain solutions and promote the trade of CN-sourced raw materials and end products.



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“We are a true supply chain enabler, connecting crude producers with their suppliers and markets.”

James Cairns

Vice-President

Petroleum and Chemicals

See map of CN CargoFlo® facilities on pages 100-101

An extensive network of strategically located CargoFlo® facilities for liquids transfer and break-bulk needs complements CN’s direct-rail franchise, enabling us to offer complete door-to-door service to customers. This network provides the economy of long-distance rail transportation with the flexibility of short-haul truck delivery anywhere in Canada, the U.S. and Mexico.

## CRUDE OIL AND CONDENSATES

CN is an important link in the crude oil supply chain. Our vast rail network provides customers with accessible single-line connectivity between Western Canada and the Gulf Coast, with efficient movement through the all-important Chicago area, as well as Eastern Canada. CN also connects with other Class I railroads to reach the U.S. East Coast, U.S. West Coast and Texas.

## CRUDE BY RAIL

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CN provides unique access to Alberta heavy crude oil, with a track network that directly overlays the Peace River, Athabasca and Cold Lake areas. CN also has a presence in the Canadian Bakken Shale light crude region in southern Saskatchewan.

CN provides single-line service from Western Canada to all eastern Canadian refineries: Sarnia and Nanticoke in Ontario, Montreal and Saint-Romuald in Quebec, and Saint John in New Brunswick. In addition, CN's customers have access to offshore markets via the St. Lawrence Seaway terminals at Tracy and Quebec City in Quebec. In the U.S., CN can access refineries and crude oil terminals directly (Petroleum Administrative Defense District - PADD II and III) or via other Class I railroads (PADD I, IV and V).

What began as simple truck-to-rail manifest service has quickly evolved and now includes a pipeline-connected tank-to-rail unit-train service. In 2014,

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CN moved almost 128,000 carloads of crude, up from approximately 75,000 in 2013 and 34,000 in 2012. In 2015, crude-by-rail shipments are being impacted by a low oil price environment.

For crude-by-rail customers, CN offers a safe and complementary alternative to pipelines with a number of competitive advantages, including lower capital costs and shorter lead times. Another advantage is scalability, since shippers can move 1, 2, 20, 100 or more railcars at a time as production fluctuates with market conditions. Geographic flexibility is one more advantage, enabling customers to move their product to various destinations where they can capitalize on price differentials or meet specific demand.

Crude can be moved by rail as pure bitumen (neat bitumen) when in coil-insulated cars, but needs to be diluted with up to 30% condensate (dilbit) in order to flow through a pipeline. The cost of moving neat bitumen in railcars is very competitive with transporting dilbit through pipelines. The economics of rail for both the customer and CN are further improved when condensate is shipped as a back-haul to the neat bitumen head-haul movement. In addition, neat bitumen is far less volatile than any other type of crude and can be considered a non-dangerous good to transport, like asphalt. Although current neat bitumen shipments are quite limited, CN believes this is a good future opportunity.

CN welcomes the new DOT/TC-117 tank car standards for the transport of crude oil and other flammable liquids unveiled on May 1, 2015, including the 9/16-inch tank shell, 11-gauge jacket, ½-inch full-height head shield, ½-inch thermal protection, and improved pressure-relief and bottom-outlet valves. Tank cars manufactured to transport flammable liquid after October 1, 2015, must meet these enhanced tank car standards. Older tank cars (DOT-111, CPC-1232) will be retrofitted or phased out, with the oldest and most

vulnerable tank cars converted by 2017 and only DOT/TC-117s in crude-by-rail service by 2025. The vast majority of tank cars are owned by customers or railcar leasing companies.

## CONDENSATES

Condensate is a by-product of natural gas production. Because condensate is typically liquid in ambient conditions and has very low viscosity, it is often used to dilute highly viscous bitumen from oil sands that cannot otherwise be efficiently transported via pipelines. CN currently moves volumes of condensate from the U.S. (e.g., the Gulf Coast, Pennsylvania and Kansas) to the Canadian oil sands region in Alberta.

## REFINED PETROLEUM PRODUCTS

Refined petroleum products are derived from crude oil and natural gas production through processes such as catalytic cracking and fractional distillation. Examples of refined petroleum products transported by rail include liquefied natural gas (LNG), fuel oils of various grades (from lightweight No. 2 to bunker oil No. 6), gasoline, diesel, jet fuel, asphalt, butane, propane and propylene.

Growth in a number of economic sectors is leading to increased industrial energy demand. As North American refineries adjust to the more abundant North American supplies of crude and natural gas, the slate of products is also evolving. CN is well positioned to take part in moving these products to market from key refining complexes in the Gulf Coast, Mid-America, Eastern Canada and Western Canada. CN's access to major Canadian shale areas (including Horn River, Montney, Duvernay, Cardium, Viking and Bakken) also create opportunities for inbound and outbound products.

## PROPANE BY RAIL: AN EMERGING MARKET

Propane is a by-product of natural gas processing and petroleum refining. It is commonly used as a fuel for heating, cooking, crop drying, and engines in fork lifts, buses, Zambonis and other vehicles. It is also an important feedstock in the production of polypropylene.

About half of western Canadian propane is used within the region and one third is shipped to Eastern Canada, with the balance transported to the U.S. Midwest.

In April 2014, the Cochin pipeline, which transported propane from Alberta to Illinois, was reversed to transport condensate to the oil sands. This pipeline reversal eliminated up to 100 railcars per day, at peak demand, of takeaway capacity from the Alberta market, which has created significant growth for CN.

Terminal facilities do not currently exist in Canada that allow for propane exports to overseas markets. However, a liquid bulk export terminal in Prince Rupert is in the planning stages. CN, through our rail partners, serves export terminals on the U.S. Gulf Coast and U.S. West Coast.

As demand in Asia grows over the next few years, and Canadian infrastructure is built to ship propane overseas, CN is very well positioned to take advantage of this new market opportunity.

## LIQUEFIED NATURAL GAS

World trade in LNG has more than tripled in the past 15 years. Japan, the world's single largest LNG market, saw a significant demand increase in 2011-12 as utilities expanded gas-fired power generation to make up for lost nuclear output after the Fukushima-Daiichi disaster. The second largest importer is South Korea followed by China and India. Together, Asia represents 75 per cent of all imports. We expect that Asian demand for this cleaner-burning fuel will continue to grow.

Canada does not currently have any operational LNG export facilities. However, several proposed LNG export facilities in Canada have entered the regulatory review process – mainly in Kitimat and Prince Rupert, BC.

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## SULFUR

Sulfur is a by-product of removing contaminants from natural gas and petroleum. It is used globally in a wide variety of industrial applications, including phosphate-fertilizer and metals production, mining, and synthetic fibre manufacturing. Canada is one of the world's largest exporters of sulfur. The majority of Canadian sulfur exports go to Australia, Mexico and China through the Port of Vancouver in dry (prilled) form, and to phosphate fertilizer producers in the U.S. in liquid (molten) form.

CN handles a significant portion of Canadian sulfur destined for export, in both molten and prilled forms. Over 90 per cent of CN's sulfur franchise originates in Western Canada. All CN-served gas plants have the necessary infrastructure to turn molten sulfur into prilled sulfur. However, petroleum refineries in Western Canada do not have sulfur prilling facilities. In order for sulfur to be exported overseas, it must be converted into the easily transported dry form. Therefore, Western Canadian refineries must either ship their by-product liquid sulfur over land to sulfur consumers within North America, stockpile the sulfur in large blocks, or truck it long distances at high cost to gas plants to use their prilling infrastructure.

## OUTLOOK

With our unique operating model and capital expenditure program, CN delivers product to customers in an efficient and safe manner. Our service is supported by significant investments in rail infrastructure by producers and shippers. The current drop in oil prices, a tightening of price differentials among various types of crude and added pipeline capacity have impacted shipments of CN crude by rail. A recovery in crude-by-rail shipments would be driven by the widening of crude price differentials which may occur as incremental oil sands production comes online. In addition, as the opportunity to ship neat bitumen increases, crude-by-rail will remain a strong complement to crude shipments by pipeline.

Low natural gas prices are expected to continue to encourage new investments in the petrochemical sector. With its extensive track network, CargoFlo® transload centres and other facilities, CN is well positioned to bring customers' chemical and plastic shipments to North American markets, and to international destinations through port connections.

We expect that production of propane will increase over the coming years as a result of higher natural gas production. This, combined with a potential export gateway out of the Canadian West Coast, could provide good growth opportunities for CN. We are also capitalizing on opportunities in other refined petroleum products, including the movement of gasoline, jet fuel and diesel fuel.

CN's outlook for sulfur is solid as new production capacity is expected to come on stream in the next few years. The development of prilling capacity for northern Alberta sulfur producers will improve access to overseas markets and help counter the decline in sulfur produced by Alberta gas plants.

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“We are working closely with customers to develop innovative transportation solutions and help them win in their markets.”

Doug MacDonald

Vice-President

Industrial Products

METALS &  
MINERALS

CN has the market covered from A to Z – aluminum to zinc – and let’s not forget about frac sand, iron ore, steel, copper and lead. CN’s far-reaching rail service and our transload and port facilities make us a strong partner for our customers.

The Metals and Minerals group consists primarily of materials related to oil and gas development, steel, iron ore, non-ferrous base metals and ores, construction materials and machinery, and dimensional (large) loads. We provide unique rail access to base metals, iron ore and frac sand mining as well as aluminum and steel producing regions, which are among the most important in North America. This strong origin franchise, coupled with our access to port facilities and the end markets for these commodities, has made CN a leader in the transportation of metals and minerals products. The key drivers for this market segment are:

- Manufacturing production (e.g., automobiles, railcars, heavy equipment, aerospace)
- Non-residential (commercial and industrial) construction activity

- Government spending on infrastructure projects