

Railways and Container Handling Challenges

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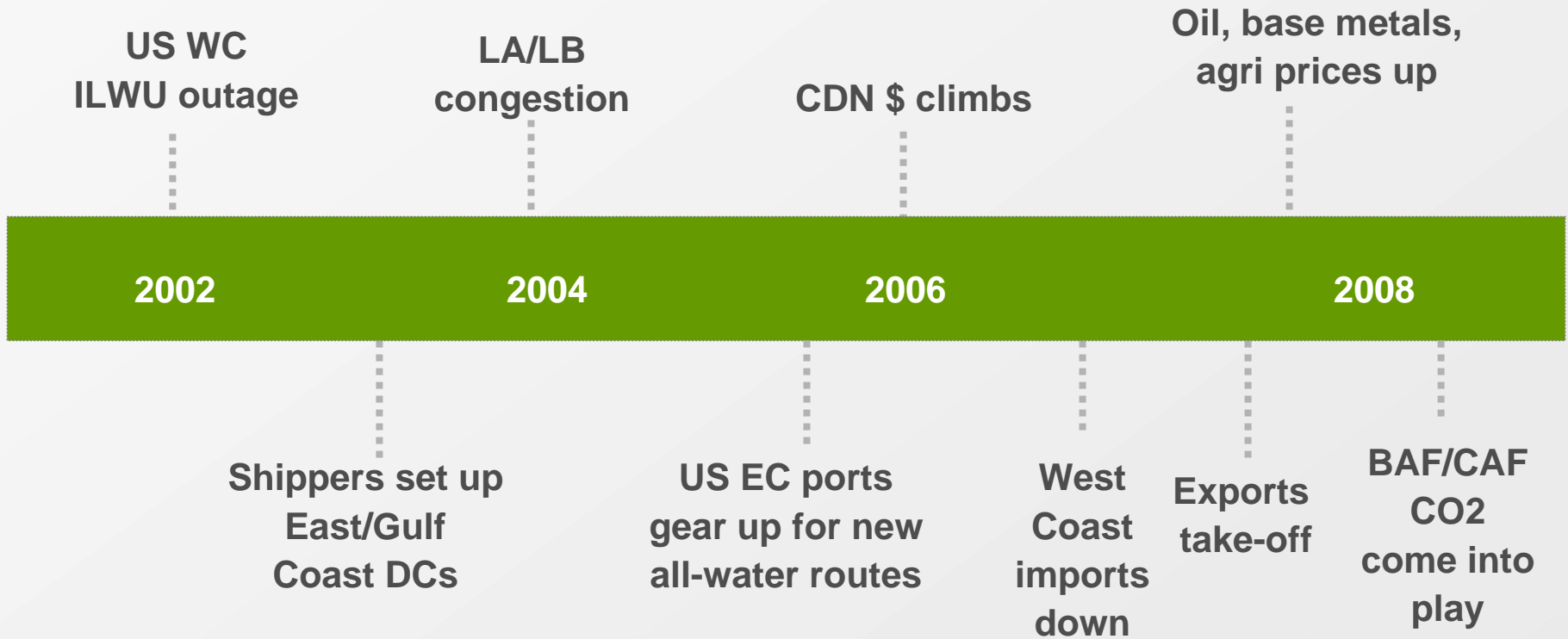
CILT NA, Ottawa, May 12, 2008



Challenges we face today

- Freight is portable – shippers can choose their port of entry
- Imports and exports behave differently
- High fuel / dollar / commodities change the game
- Carbon footprints now considered in shipping decisions

These challenges create churn and opportunity

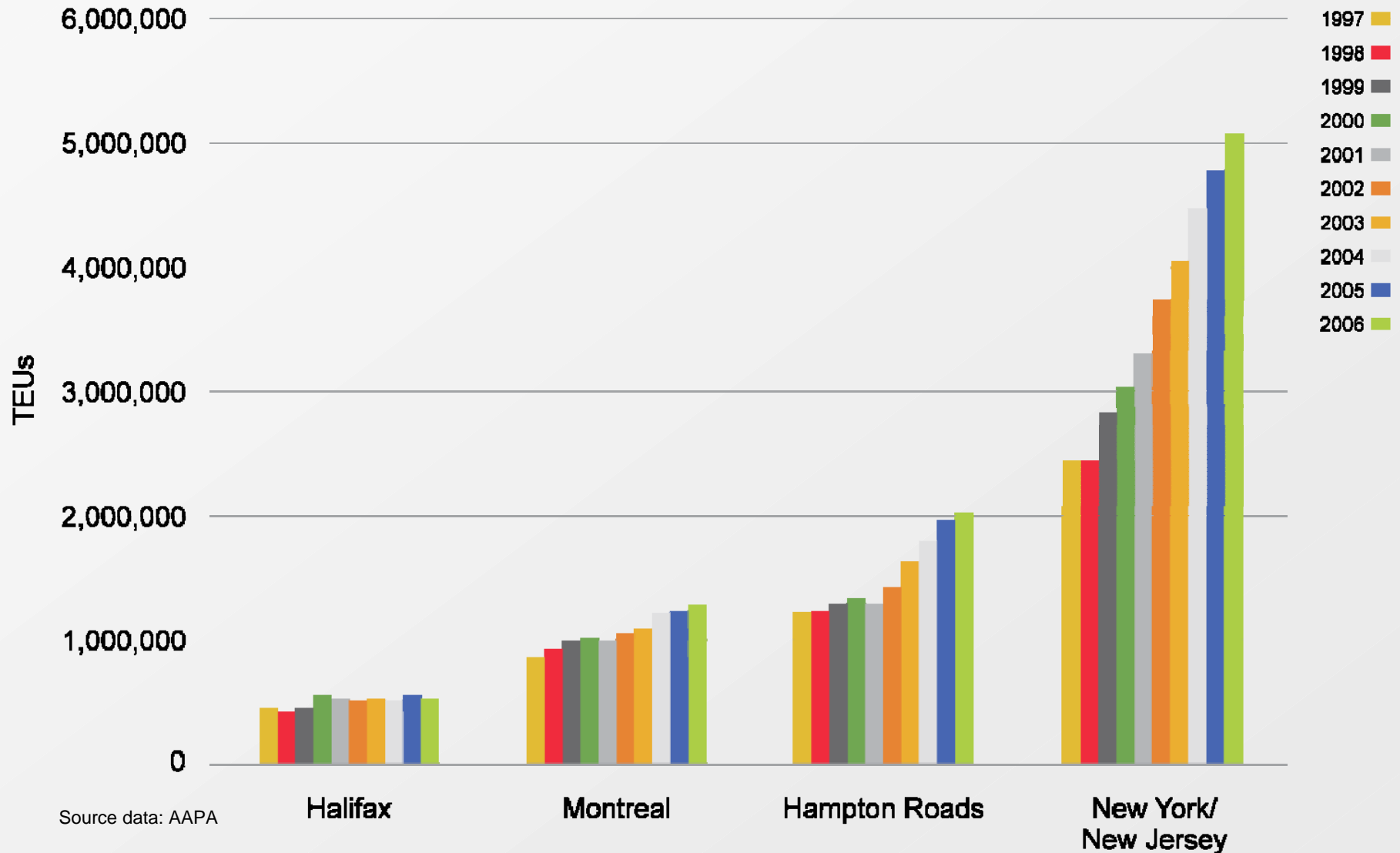


The game is changing

Freight is portable: shippers use all-water routes to mitigate supply chain risk



East coast ports are picking up traditional West coast freight

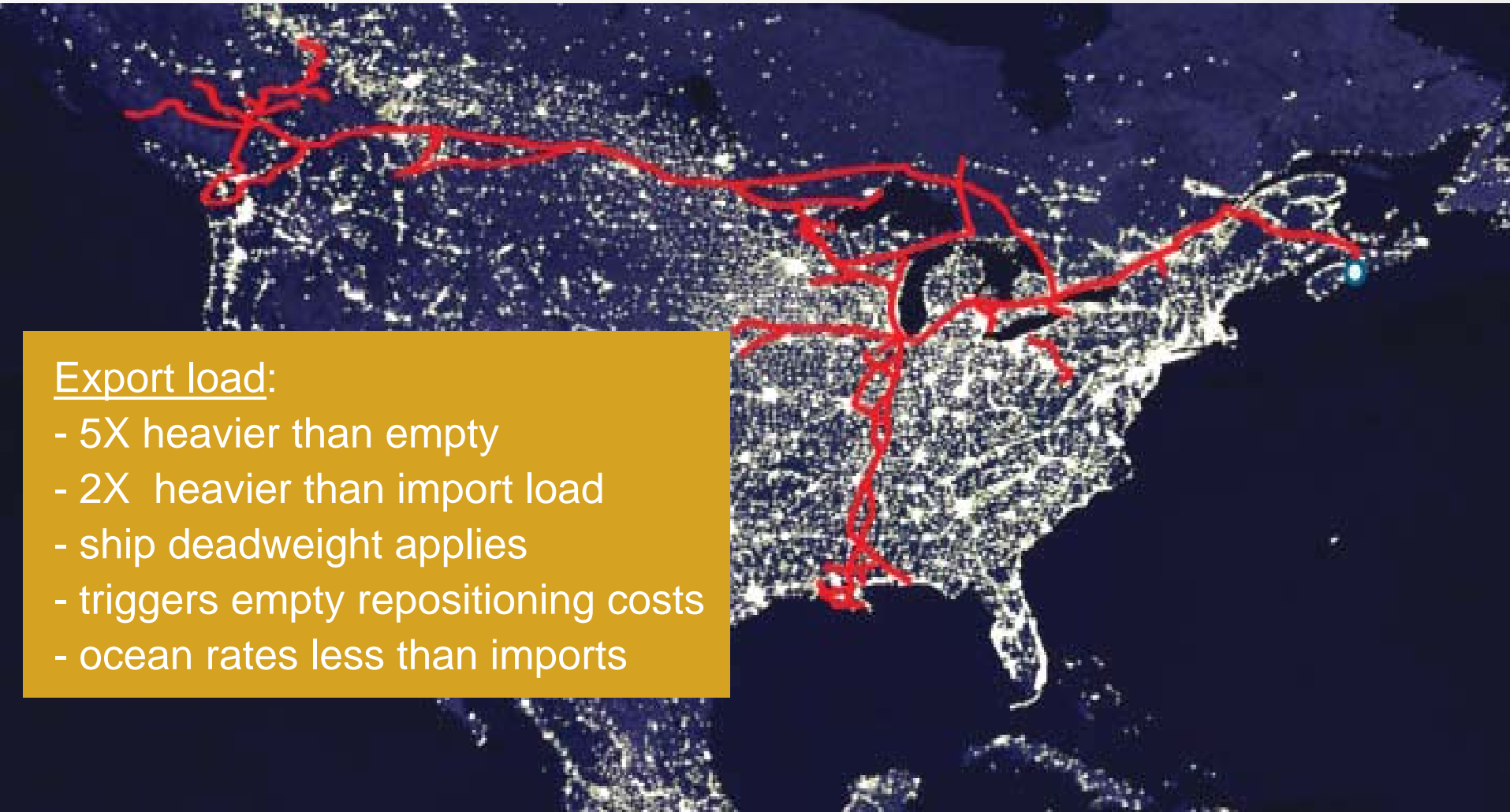


Imports and exports behave differently

- *Imports flow to the lights, exports come from the dark areas*

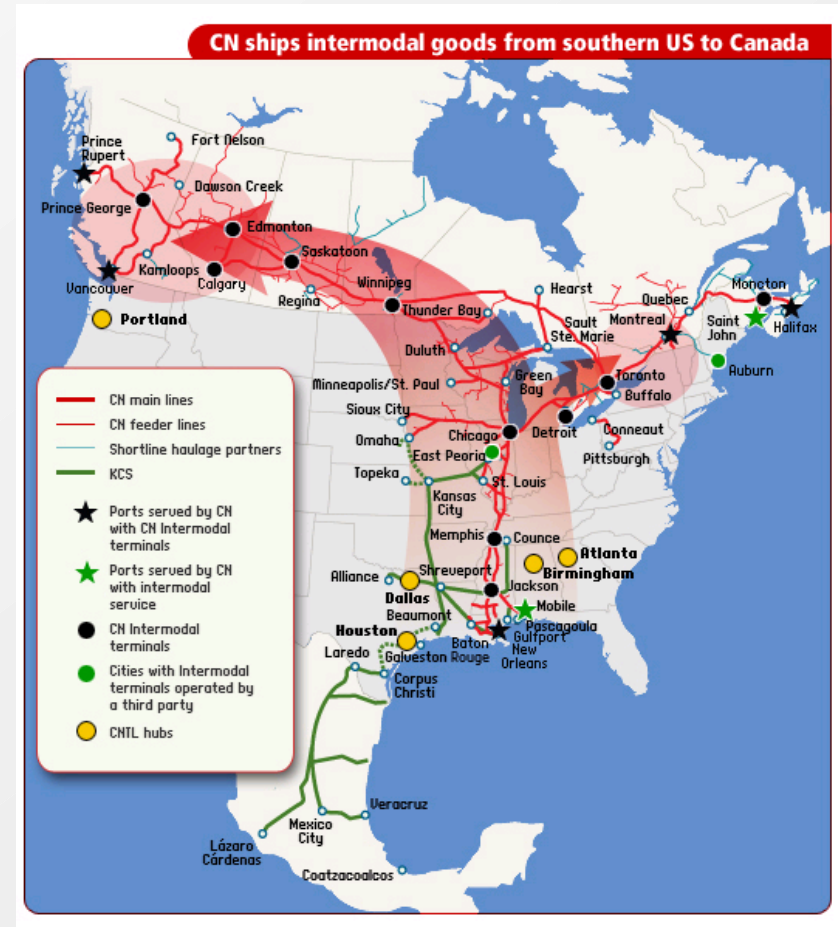
Export load:

- 5X heavier than empty
- 2X heavier than import load
- ship deadweight applies
- triggers empty repositioning costs
- ocean rates less than imports



High fuel / dollar / commodities change the game

- Bunker costs (BAF) are significant decision factors
- USD drop has re-energized exports to CDA. Northbound move is a headhaul
- Traditional container exports competing for boxes with:
 - US manufactured goods
 - High priced break-bulk goods



CN responds with broader supply chain solutions based on scheduled, disciplined service execution

CN Worldwide: a single source for all transportation services



Deliver everything, or one thing.

Global Team of Experts



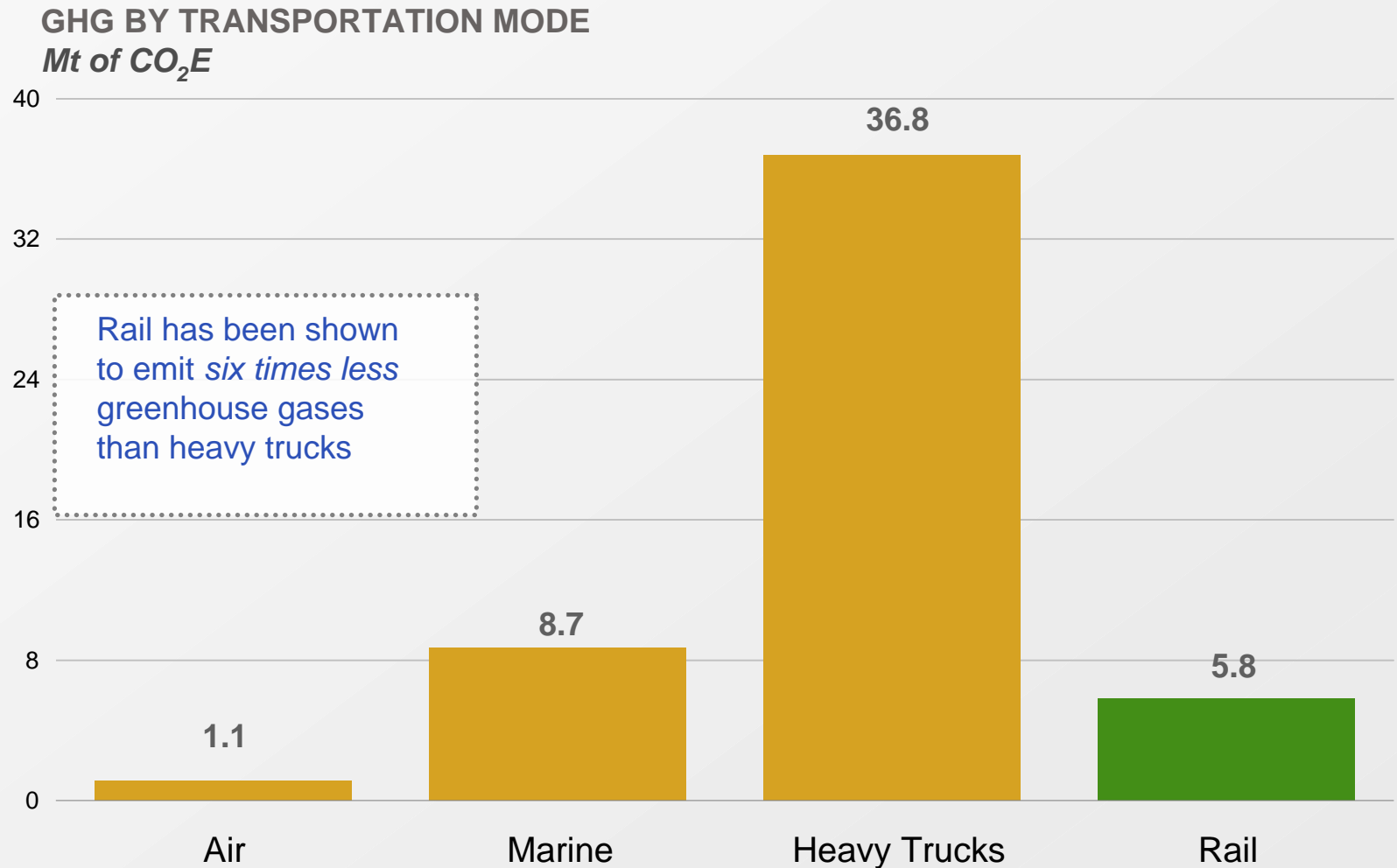
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- Asia -

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Service Delivery
- South America -

Carbon footprints now considered in shipping decisions



Source: National Resources Canada, Office of Energy Efficiency. Energy Use Data Handbook, August 2006.

We face great opportunities

- Our rail system allows shippers to choose their port of entry
- We have a rich mixture of imports/exports
 - coordination is required to get the box in the right place at the right rate
- CN is creating new transportation solutions around the world to help shippers cope with new economic factors
- Railways are well-positioned to help reduce transportation related carbon emissions

Thank-you