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Presentation to

Canada – United States

Cross Border Rail Peer Exchange

Burlington VT

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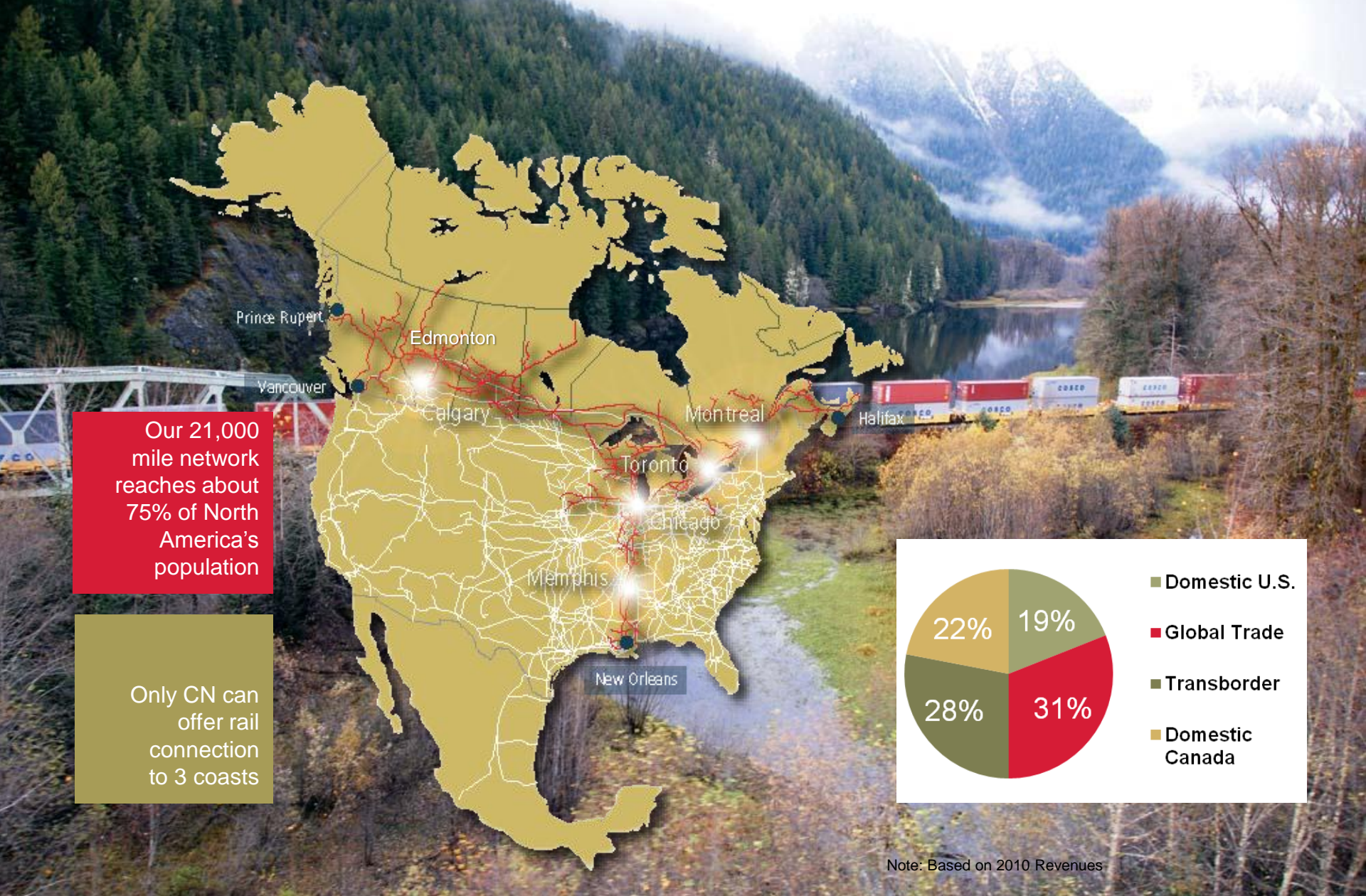
Transborder Operations – A Rail Perspective

Presentation Overview

- CN Overview
- Rail Border Environment
- Container Security and Customs Inspections
- US Border Initiatives Affecting Rail
- Looking Ahead
- In Summary

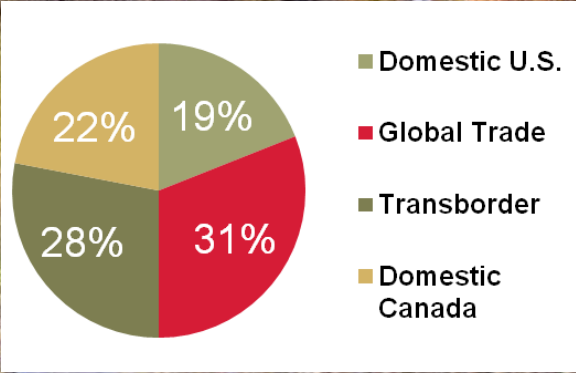


Challenges and Opportunities



Our 21,000 mile network reaches about 75% of North America's population

Only CN can offer rail connection to 3 coasts



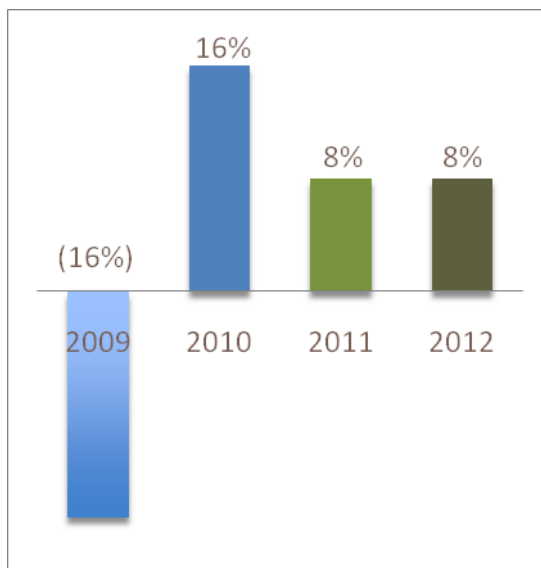
Note: Based on 2010 Revenues



A Unique Transportation Company



Asia to the U.S



Asia to Canada



Container Trade Continuing to Recover in 2011/2012



- Infrastructure designed for flow through operation
 - Fluid border gateways are mission critical
- CN operates 44 transborder trains daily over 7 gateways
- Approx 100 trains total (BNSF, CN, CPR, CSX, UP, SLR, NBSR) over 24 Gateways
- Train lengths can exceed 10,000 feet
- Close to 900,000 CN transborder shipments/year – approx 2 M. total
- Closely orchestrated process between rail carrier, shipper, broker and customs

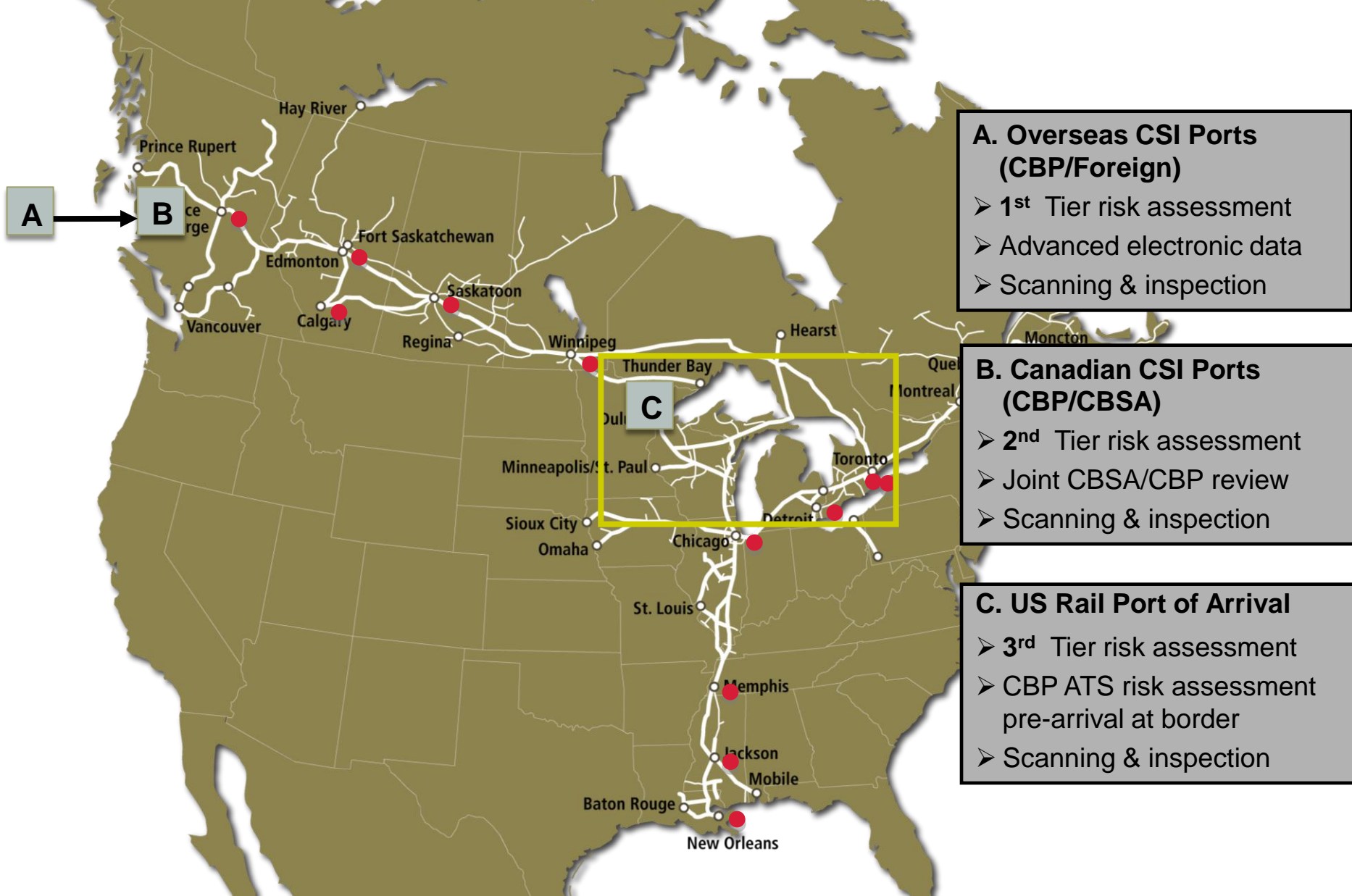


Scheduled Railroading Critical to CN Shippers



- Automation and technology
 - Shipper, operations (AEI/RFID), Customs
- Equipment and infrastructure
 - Container lifting equipment, intermodal pad tracks
- Inspection Facilities
- Security
 - Integrated law enforcement programs, high tech camera systems, motion detectors
 - CBP & CBSA supply chain security programs





Multi-Tiered Security – Unrealized Gains

Container Inspections at Border



- Single intermodal car can carry up to 15 containers
- Cars with inspection containers switched from transborder train
- Multiple containers affected at border for single container exam
- High cost of equipment, resources, infrastructure to mitigate shipment border delays



Intermodal Trains Designed for Hub to Hub Ops



- Vehicle and Cargo Inspection System (VACIS)
- US Trade Act of 2002
- FDA Bio-Terrorism Act
- CBP Automated Commercial Environment (ACE)
- CBP residue manifest reporting (19 CFR Part 177)
- US Bureau of Census/CBP export requirements
- Removal of exemption for Wood Packaging Material
- CBP International Trade Data Systems (ITDS)





- Expect further layering of security and compliance measures at the border as Customs initiatives emerge/evolve
- We will work closely with the agencies to ensure we and our rail customers are compliant with existing and emerging border requirements
- We will continue to partner with the Customs agencies on security initiatives and promote these jointly with trade
- We will continue close dialogue with regulatory agencies both directly and through association committees to minimize border delays/constraints and improve border fluidity



Looking Ahead



- Need common set of US and Canadian customs rules, risk criteria, and inspection protocol
- Expand on existing CBP and CBSA Cargo Security Initiatives (CSI) and Joint Targeting Initiatives (JTI)
- Establish reciprocal processes for transborder US/Canada shipments for interdiction at point of origin, with focus on inherent intermodal controls
- When required, inland container inspections should be performed at destination



Looking Ahead - Continued



- A significant portion of North American rail business is transborder, and it is growing
- Intermodal inspections at the border are costly and cause delays to legitimate freight in a controlled multi-tiered security process
- The border is thickening and we need the regulatory agencies to work with rail for a smarter and more efficient interdiction process
- We need a harmonized set of border controls and inspection criteria that expedite the border instead of increasing risk of delay



In Summary