
BC Rail at a Crossroad

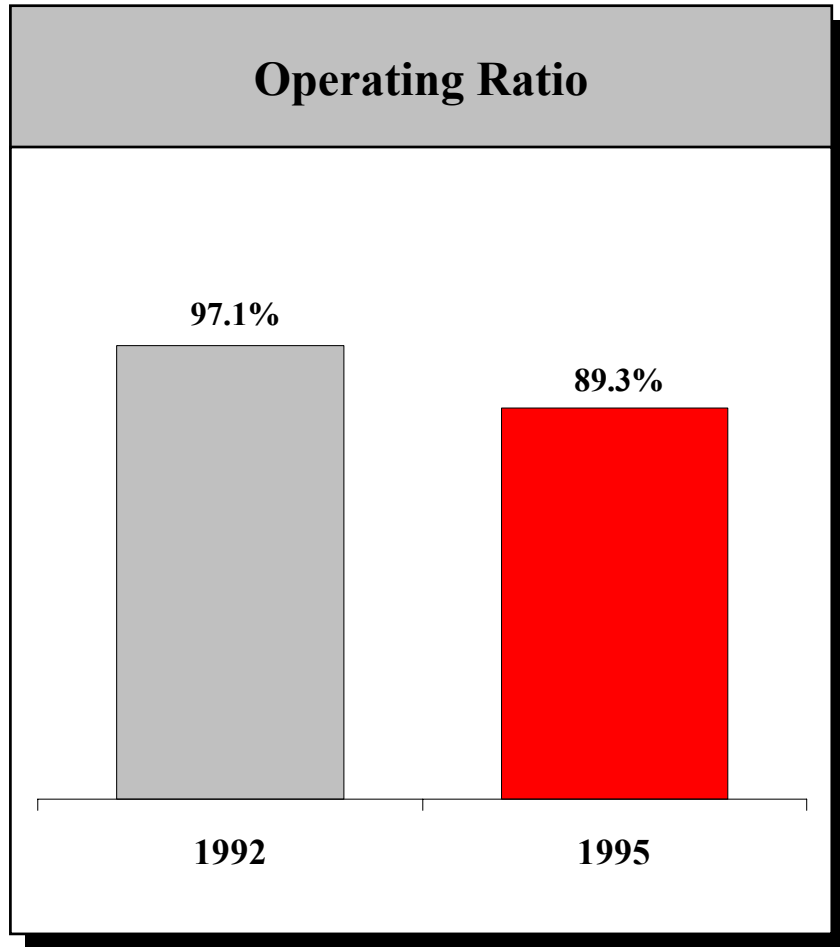
A CN Perspective

*Northern Transportation Conference
Freight Rail in British Columbia*

*Prince George, BC
November 21, 2002*



The Old CN



- ### CN Before 1995 Privatization
- ✓ Crown Corporation
 - ✓ Billions in subsidies
 - ✓ Bad service
 - ✓ Lack of customer focus
 - ✓ Tool for public policy objectives

Worst Class I Railroad in North America



The New CN

Highlights of CN Privatization (1995)

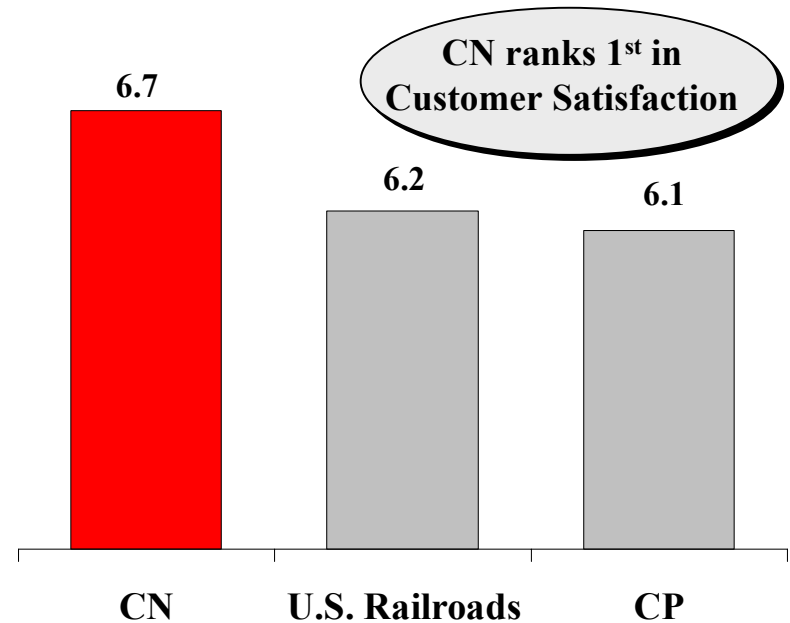
- ✓ A dramatic turnaround
- ✓ Most successful Canadian privatization
- ✓ Expansion into North America
- ✓ Track record of innovation



IPO a Key Impetus to Drive Change

CN 2002 - Best Service to Shippers

Overall Customer Satisfaction



Source: Morgan Stanley, Freight Transportation; May 21, 2002

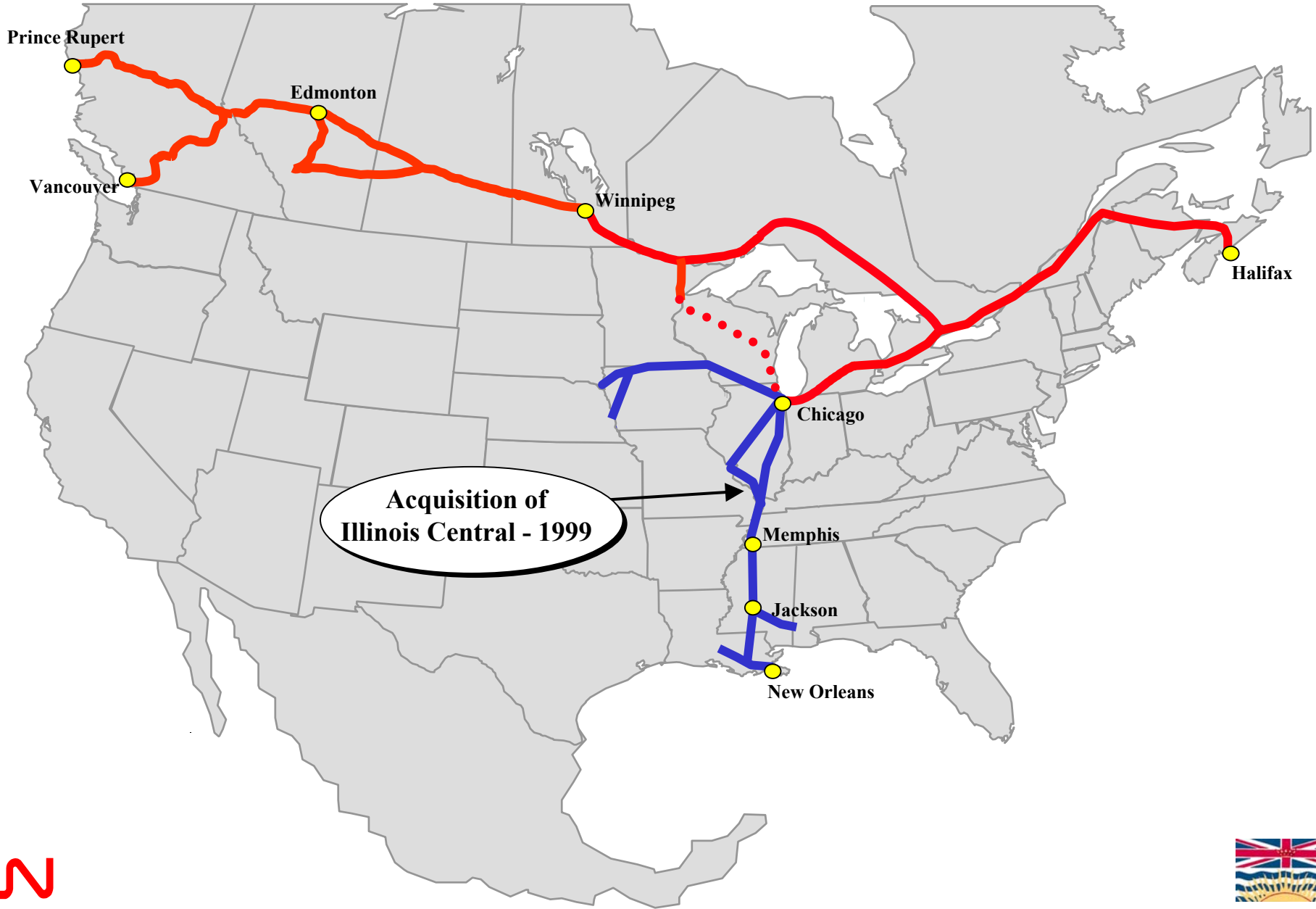
Best Class I Railroad in North America

CN Network — 1995

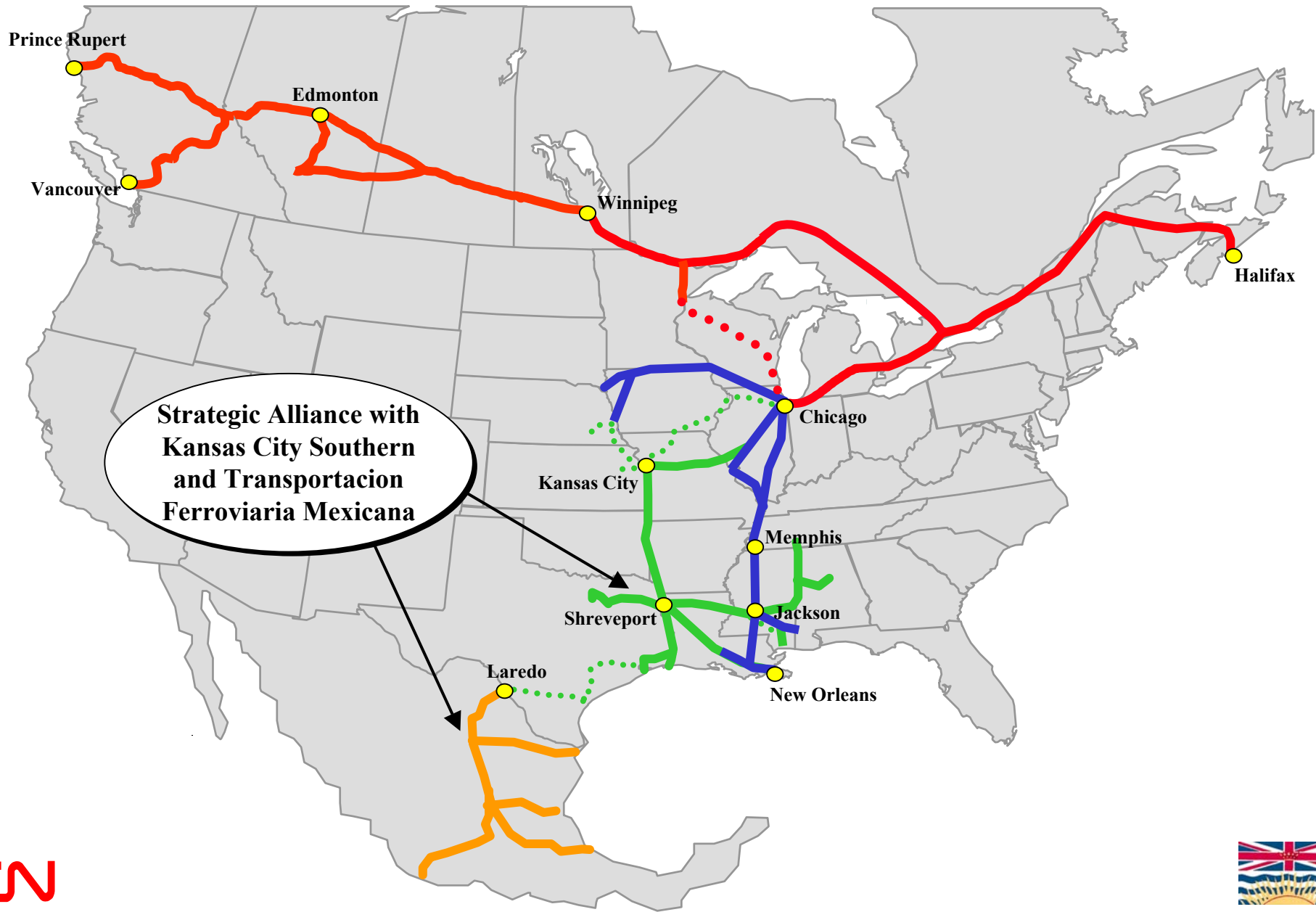


**Traffic flows mainly between
Eastern & Western Canada**

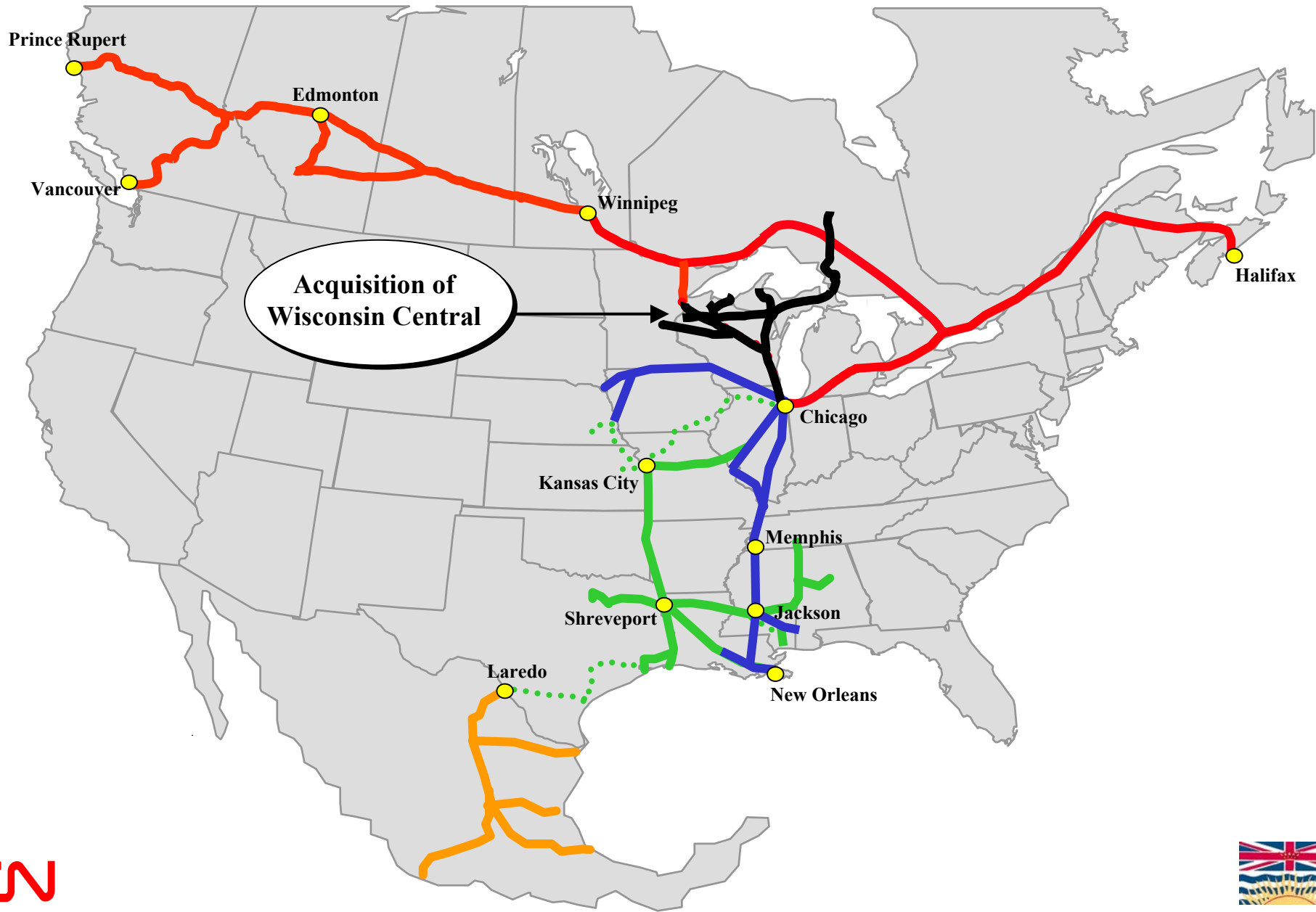
CN Network — 1999



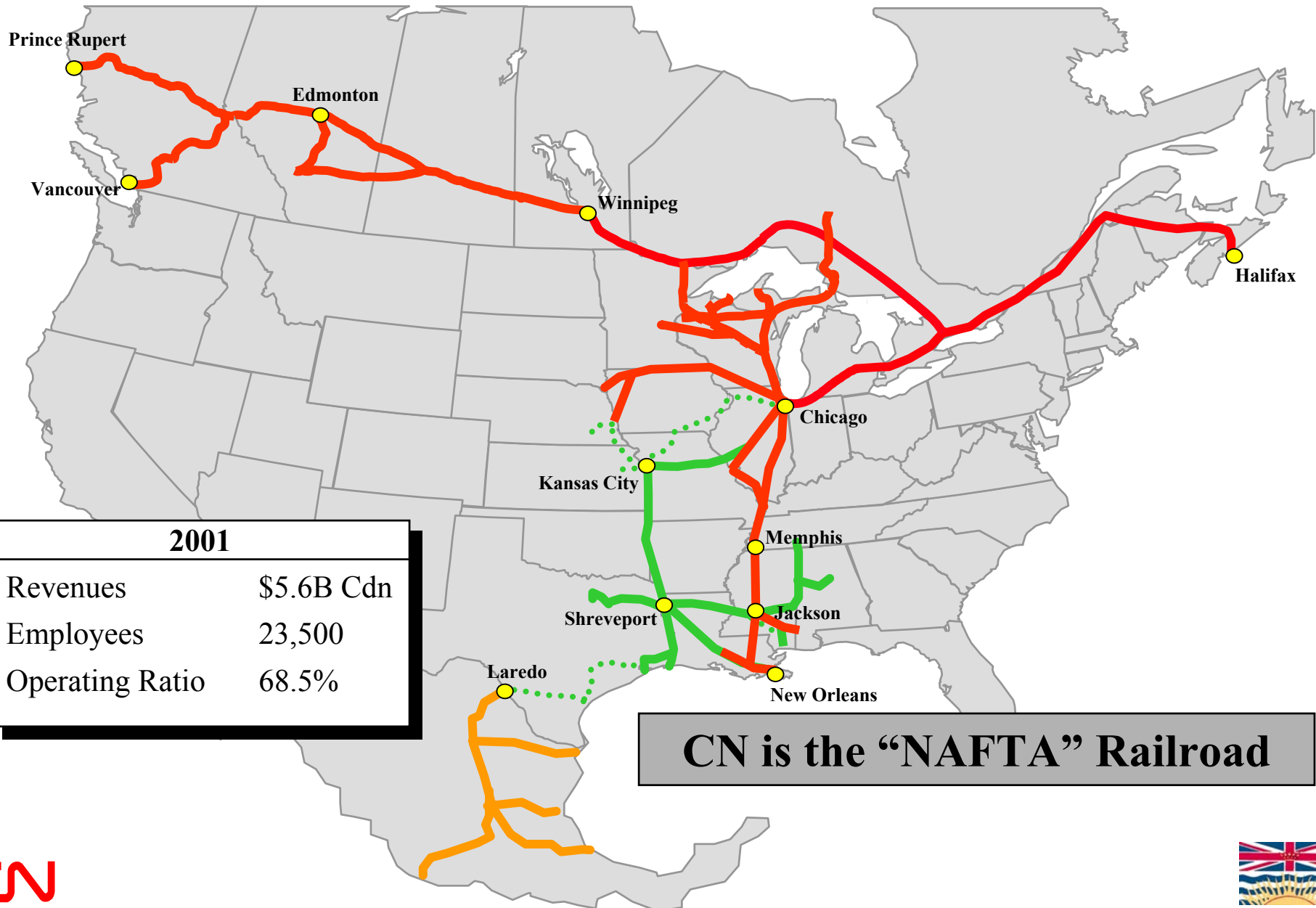
CN Network — 1999



CN Network — 2001



CN Today — A “3-Coast” Network



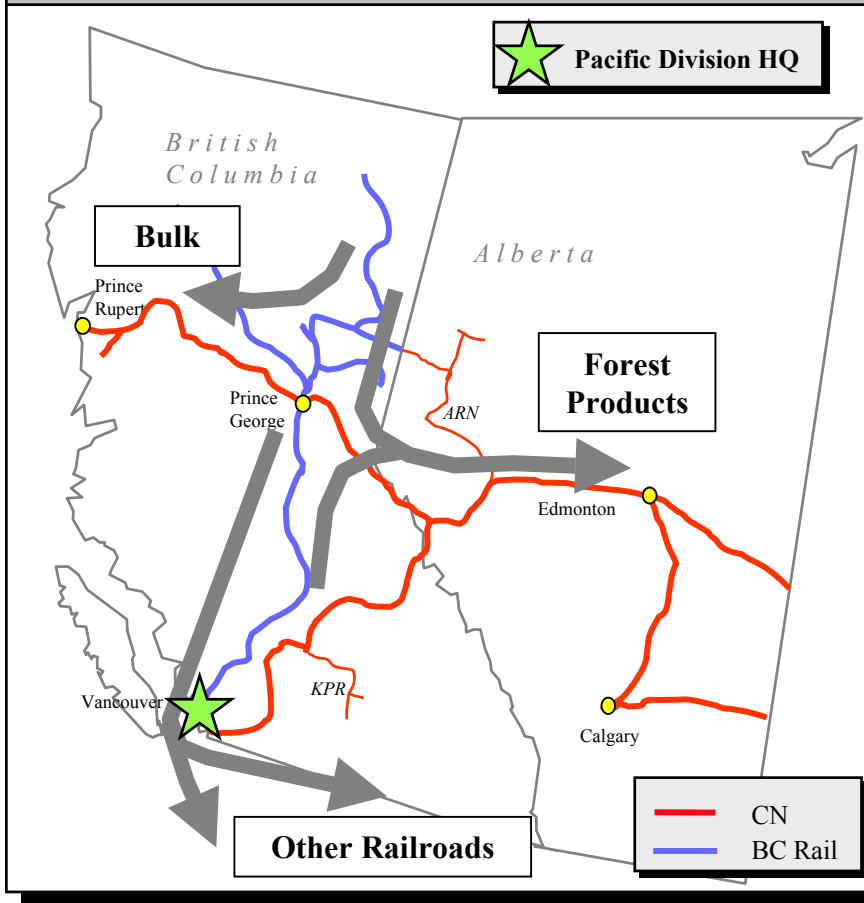
2001	
Revenues	\$5.6B Cdn
Employees	23,500
Operating Ratio	68.5%

CN is the “NAFTA” Railroad



CN and BC Rail

Major Traffic Flows



CN in British Columbia

CN and BC Rail

- ✓ BCR's largest rail partner
- ✓ Forest products and coal

CN in BC

- ✓ Largest railroad in BC
- ✓ Vancouver is HQ for Pacific Division
- ✓ 1,400 employees
- ✓ 1,400 miles of track
- ✓ \$375M per year spent in BC

CN and BC Rail — Working in partnership



CN and Port of Prince Rupert

Proposed Fairview Intermodal Container Terminal



Opportunities

Build New Container Terminal

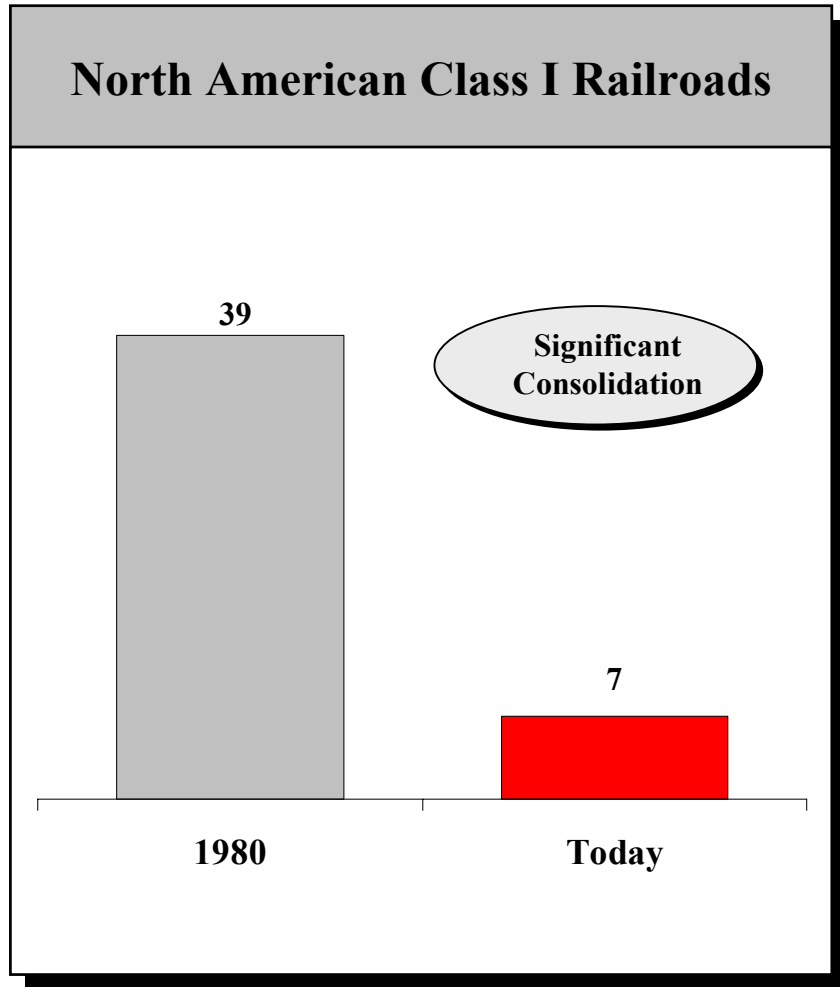
- ✓ CN working with Port to convert Fairview Terminal

Shift Traffic from Vancouver to Prince Rupert

- ✓ Grain
- ✓ Sulphur
- ✓ Coal

**CN is only railroad motivated to grow
Northern BC corridor**

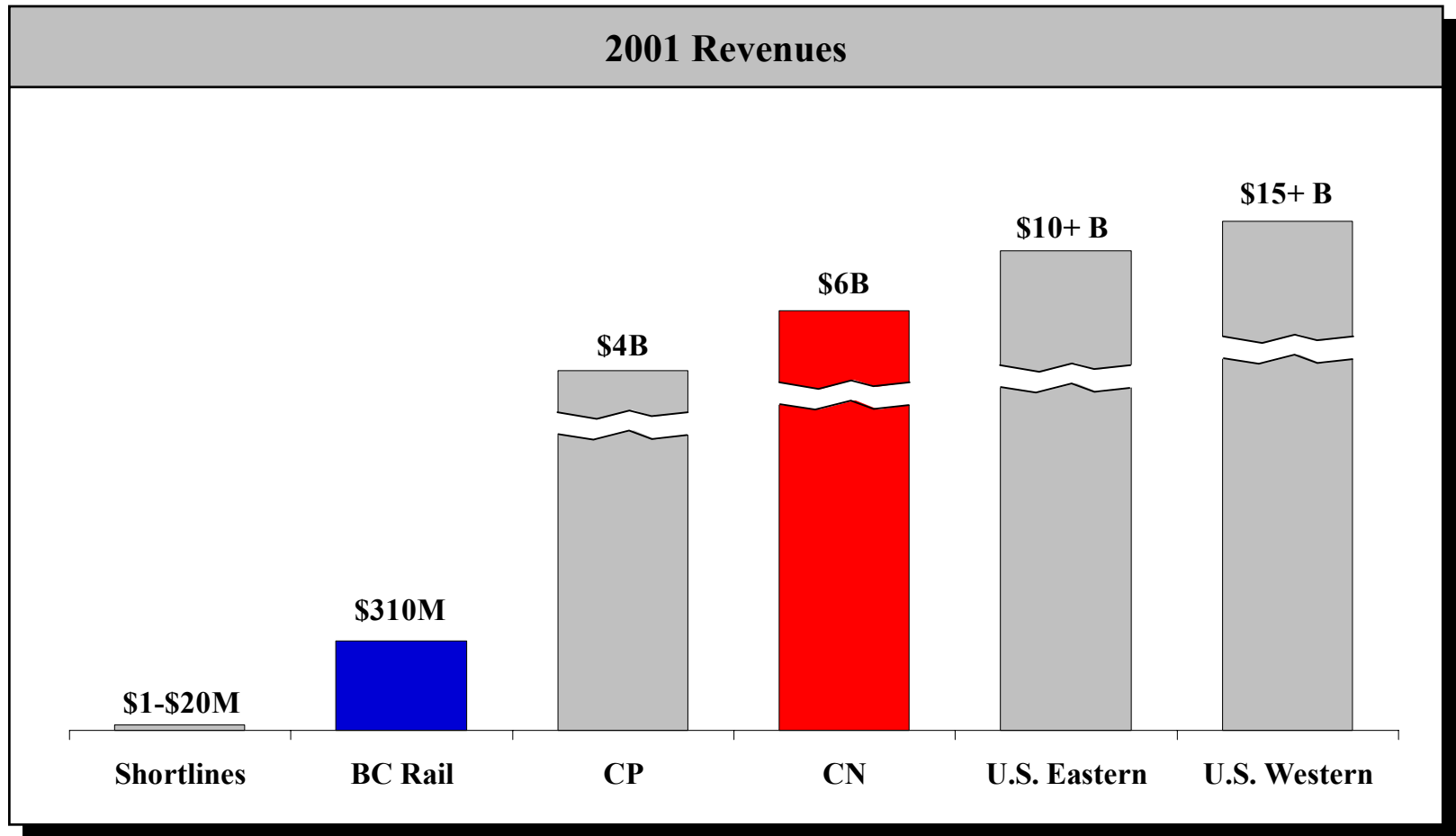
Evolution of North American Railroad Industry



- ### Evolution of Industry
- ✓ De-Regulation
 - ✓ Privatization
 - ✓ Consolidation
 - ✓ Single-line service

Major structural changes in past 20 years

Comparison of CN and BC Rail with U.S. Giants

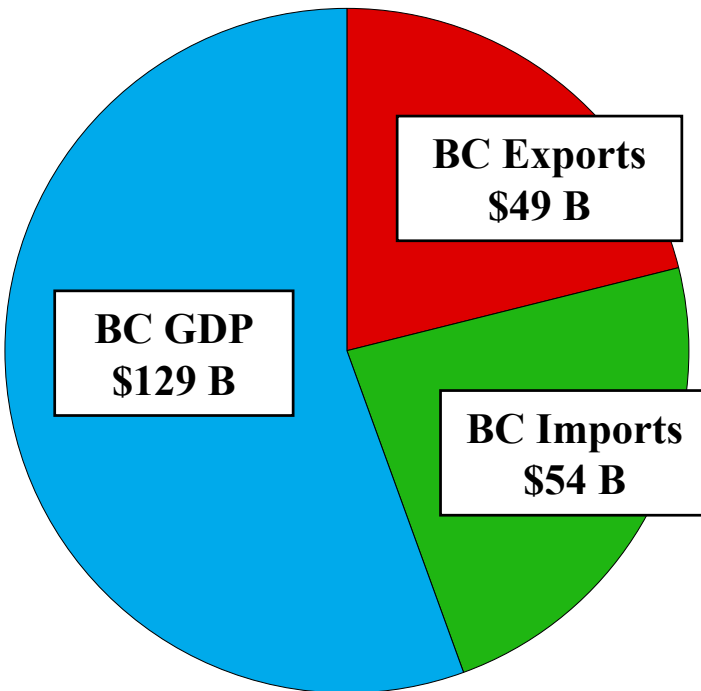


**BC Rail is one of few remaining
Government-owned Regionals**



Importance of Rail for British Columbia

BC is Vigorously Promoting Trade



BC's Competitive Advantage

- ✓ Gateway to Asia for Canada & U.S.
 - 30% of Canadian exports and 9% of Canadian imports are handled through BC
- ✓ High growth to NAFTA markets
- ✓ Great Forest Product industry
- ✓ Substantial exports and imports
 - Over 50% transported by rail
- ✓ "New Era" policy driving growth

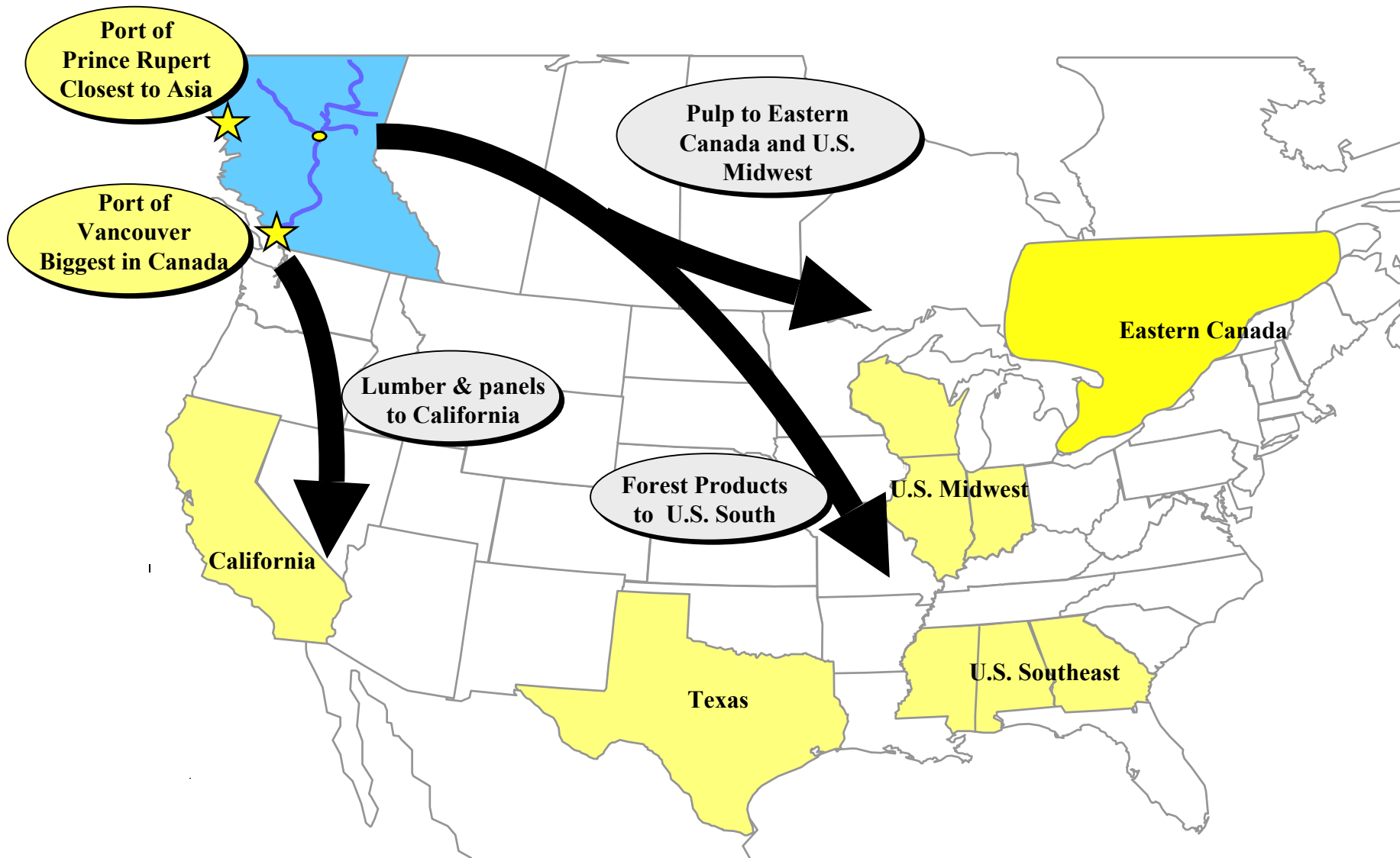
Superior rail infrastructure is key to BC trade

BC Rail Business Models for the Future

<u>Ingredients for Success</u>	Status Quo	Privatize as Regional	Join Continental RR
✓ Extend Reach			✓
✓ Enhance Competition		Only if Federal	✓
✓ Reduce Costs & Improve Service	Partial	Partial	✓
✓ Meet Stakeholder Needs	Partial	Partial	✓

Government facing important policy decision

Ingredients for Success: (1) Extend Reach to Markets

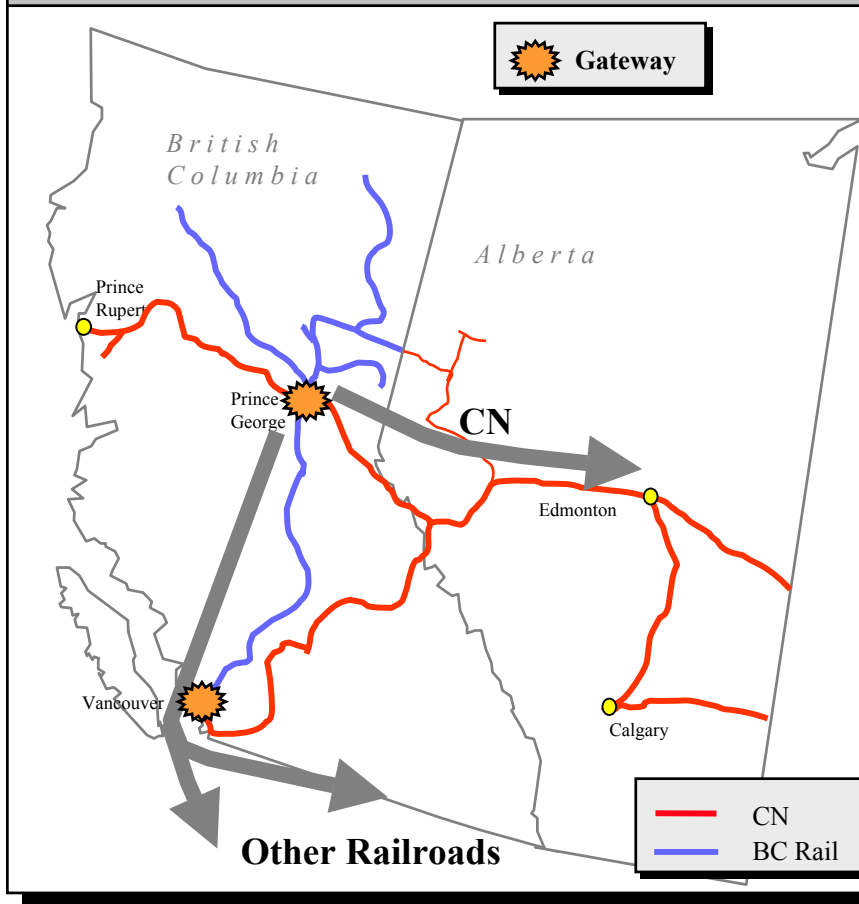


Extend BC Rail to NAFTA and Off-Shore Markets



Ingredients for Success: (2) Enhance Competition

Keep Gateways Open



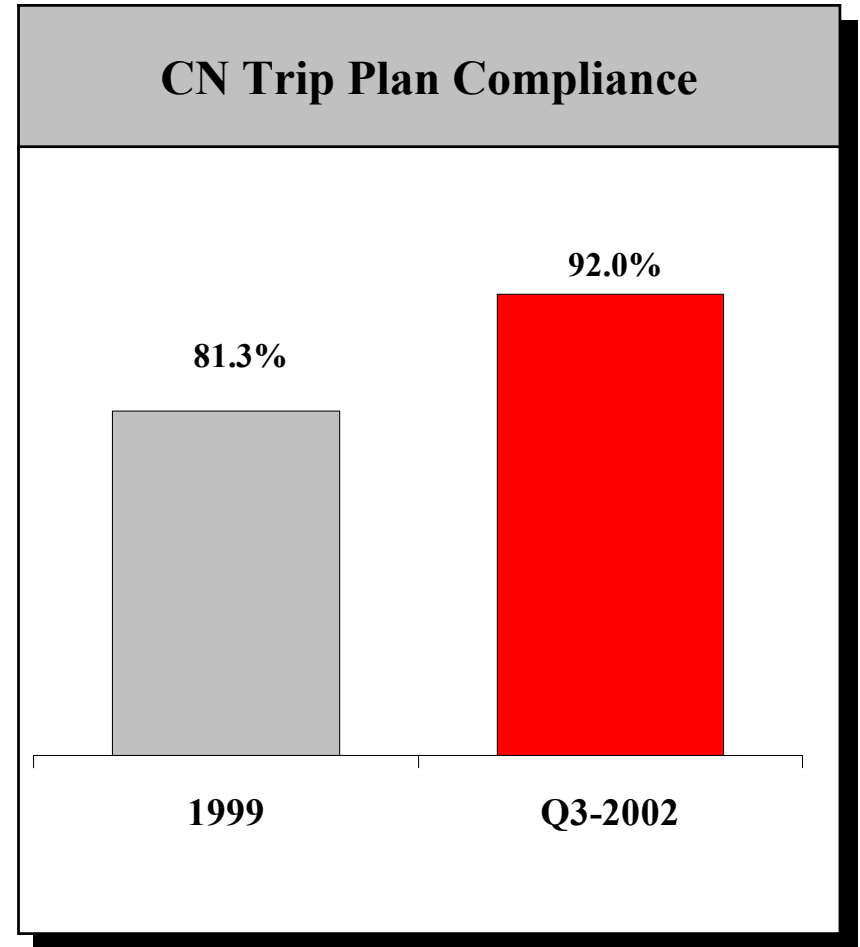
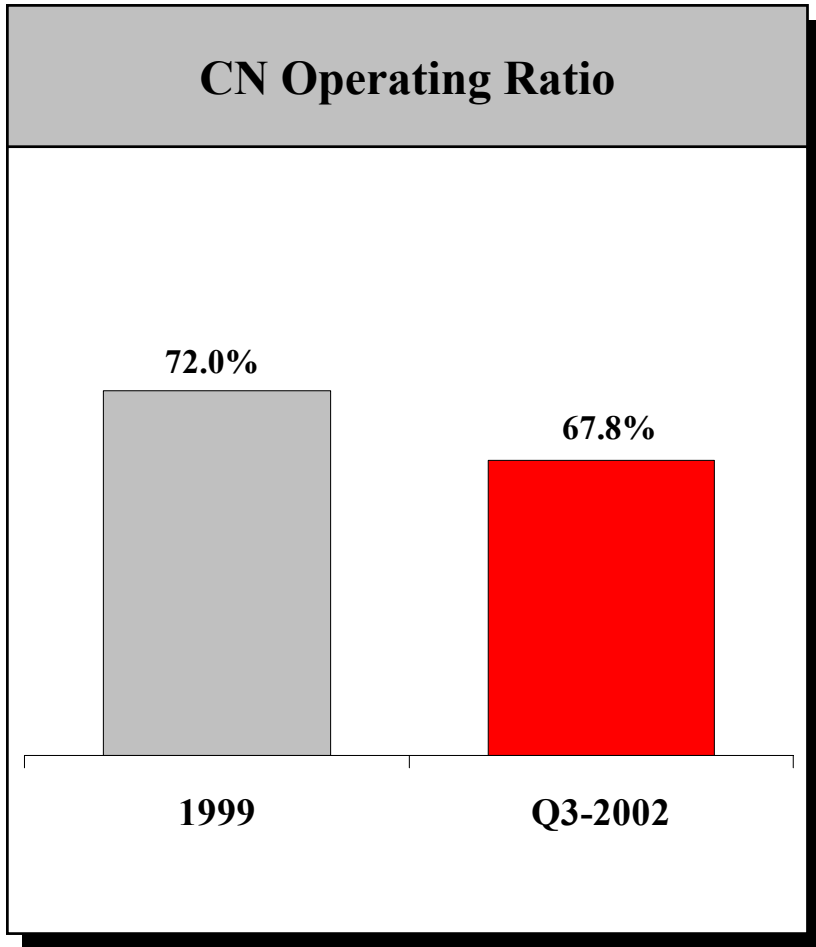
Pro-Competition Approach

- ✓ **Enhance Competition**
 - Key is Open Gateways
- ✓ **Increase Shipper Protections**
 - Key is Federal Status

New owner should be “Neutral” and “Federal”



Ingredients for Success: (3) Reduce Costs & Improve Service



Reducing costs and improving service go hand in hand

Ingredients of Success: (4) Meet Stakeholder Needs



Key to success is meeting all stakeholder needs

Wrap-Up of Key Messages



- Rail key to BC's economy
- BC Rail is at crossroad
- Government facing important policy decision
- CN a strong BC partner