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July 14, 2005

The Honorable Roger Nober
Chairman
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423
United States

Dear Chairman Nober:

This letter responds to your June 15, 2005 letter seeking information on CN's plans for handling the 2005 fall peak shipping season, as well as our views on this year's expected fall peak demands and how we believe these demands will affect CN and the railroad industry generally.

With respect to your inquiries on our operational plans for 2005, I would draw your attention to my July 24, 2004 response to your inquiry on our fall 2004 peak season plans, which outlines the fundamental principles of the "scheduled railroading" philosophy under which CN operates. These principles apply today as well and will continue to apply to our operations in the future.

Our forecasts show strong volumes of business this fall, although we see signs of some softening of demand in certain sectors. As was the case last year, we do not have a specific plan for the fall peak, as our scheduled railroad operating plan recognizes and accommodates anticipated seasonal changes in business. Implementation of our plan is facilitated by the fact that, on a systemwide basis, 110 customers generate approximately 90 percent of our business, with a substantially lower number in the United States alone.

We consistently communicate with our customers to keep them apprised of our plans for handling their business as well as system developments that may affect their business. We remain in close contact if circumstances arise that preclude fulfillment of a customer's trip plan or if disruptions occur in the system. In addition to routine phone, fax, and e-mail customer contacts by our

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Account Managers and Customer Support Representatives, CN's Executive Vice President – Sales & Marketing, James Foote, sends mail and e-mail communications on major issues to our customers. We also have user-friendly e-business tools that enable our customers to track their shipments, we send a State of the Railroad e-mail to subscribing customers, and we post information on service issues on the CN website. We believe such direct communications and use of our e-business tools are the most effective means of keeping our customers informed of the state of our railroad's operations.

CN is operating at a high level of efficiency, with our trip plan compliance consistently in the 93 to 94 percent range. Our service remains strong and, to the extent that customer concerns arise, CN's Service Group, headed by Michael Mohan, Vice President – Service, is uniquely equipped to quickly resolve them.

With respect to your inquiries on capacity issues, the investments we have made to date in our plant and infrastructure, combined with our scheduled railroad operating plan, mean that CN has sufficient capacity throughout our system to handle customer demand during the fall peak and throughout the year.

As in past years, CN has had an aggressive capital spending program, aimed at ensuring that our infrastructure is sufficient to meet customers' demands. In 2005, we are spending US\$1.1 billion systemwide; over 80 percent of this capital spending is for rail infrastructure and rolling stock. To date, our capital projects are running on schedule.

Nevertheless, while CN does not face capacity constraints on our system, we remain concerned about fluidity of the rail network generally in two significant respects.

First, as I described in my response last year, the congestion problems in Chicago represent a major concern. We have had success in reducing congestion in Chicago and at other important gateways as a result of CN's 2004 initiatives to shift our switching or interchange operations away from Chicago, where feasible, as well as through our collaborative effort with our Class I colleagues to establish routing protocols to move traffic flows to more efficient, less congested routings. These routing protocols are in various stages of implementation, but to date we have shifted 60,000 annual carloads away from Chicago.

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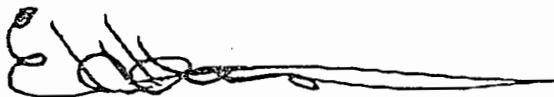
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Second, fluidity on the rail network generally remains an important concern. While our routing protocols are having the desired effect of easing congestion at key gateways, problems remain. On CN's interline centerbeam fleet movements earlier this year, for example, we transported the cars 62 percent of the distance of the aggregate movements, yet the cars were on our system for only 44 percent of the total duration of the movements.

CN shares your goal of achieving the highest possible level of railroad operating efficiency and service reliability for our customers. CN consistently strives to provide excellent transportation service to our customers and we are confident that we will be able to successfully meet fall peak season shipping demands.

Thank you for the opportunity to comment on CN's service. We will keep you apprised of any developments related to the fall peak should they arise. In the meantime, please contact me if you need additional information on this matter.

Sincerely,



E. Hunter Harrison
President and
Chief Executive Officer

cc: Vice Chairman Buttrey
Commissioner Mulvey
Mr. Ed Hamberger