



**Karen Borlaug Phillips**  
Vice President – North American  
Government Affairs

601 Pennsylvania Avenue, NW  
Suite 500, North Building  
Washington, DC 20004  
T 202-347-7816  
F 202-347-8237

[karen.phillips@cn.ca](mailto:karen.phillips@cn.ca)

May 13, 2009

Mr. Matthew T. Wallen  
Director  
Office of Public Assistance, Governmental  
Affairs & Compliance  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423

Dear Director Wallen:

I would like to take this opportunity to respond to the May 6, 2009 letter to you from Ms. Karen Darch and Mr. Tom Weisner regarding CN's monthly reports to the Surface Transportation Board (STB) on operational matters related to CN's acquisition of the major portion of the Elgin, Joliet & Eastern Railway Company (EJ&E).

In the three months since we have gained control, the integration of EJ&E's operations into CN is proceeding smoothly, and we expect continued progress as we gain further experience with the property and implement planned improvements.

We are actively engaged with all communities along the EJ&E as we implement the transaction, and we have been successful in reaching additional Voluntary Mitigation Agreements (VMAs) with EJ&E communities. In fact, CN has entered into six VMAs since the Board approved our transaction in December, and we now have a total of 16 VMAs with communities that comprise more than 50 percent of the population along the EJ&E. We are keeping in close contact with all EJ&E communities and appreciate the willingness of many communities to work constructively with CN.

As required in the Board's final decision served December 24, 2008 approving this transaction, CN is providing to the Board on a monthly basis

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extensive information on matters such as Federal Railroad Administration (FRA)-reportable accidents and incidents that occurred on the EJ&E line or CN lines, blockages of at-grade highway-rail grade crossings by a stopped train for 10 minutes or more, and train counts for operations over segments of the EJ&E and CN lines.

CN submitted its first monthly operations report to the Board on April 13, covering the months of February and March 2009, and its second report on May 11, covering April. This is a transparent process to interested parties and the public generally, with the STB posting these reports on its website and parties being free to contact the STB or CN if they have questions or concerns, and we have worked with the STB and FRA to investigate several such concerns.

CN is working closely with your office and others within the STB as we develop and refine our data collection processes to ensure that we provide to the Board on a timely basis the most accurate possible data.

We are also providing additional operational information to the Board, as appropriate, to provide a more complete picture of conditions on the EJ&E. CN's reports to date have complied with the Board's requirement that CN provide information on FRA-reportable accidents and incidents, but we have informed the Board that we also will provide in the future information on any noteworthy incidents that occur on the EJ&E line even if they do not qualify as reportable to the FRA. I am aware of concerns that CN did not report in our first monthly report the March 17 brush fire that occurred along the EJ&E. As this incident did not qualify as reportable to the FRA, CN was not required to include it in our report to the STB. In the interest of providing a more comprehensive report to the STB on activity along the EJ&E, we will include information on notable incidents in future reports.

With respect to any concerns about review and validation of CN's reports, in addition to the thorough review undertaken by STB staff, the Board's mitigation condition #73 requires CN to retain a third-party contractor to work under the direction of the Board's Section of Environmental Analysis (SEA) to assist SEA in the monitoring and enforcement of mitigation measures. This assistance is to be provided on an as-needed basis until CN has completed transaction-related construction activities and for the five-year implementation period. HDR has been engaged for this purpose, and I believe all parties will acknowledge that HDR has extensive knowledge of this transaction, the impact of operations on the EJ&E on surrounding communities, and the environmental

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conditions in the area by virtue of its work assisting SEA on the environmental impact statement on our EJ&E acquisition. As a result, we believe HDR is well-equipped to provide any necessary independent input in response to questions that might be raised about the monthly operations reports or quarterly environmental reports CN is filing at the Board on the implementation of this transaction.

CN also is moving forward on the mitigation process, as detailed in our first quarterly report on environmental mitigation activities that CN filed last month. As the Board is well aware, CN has sought review by the U.S. Court of Appeals for the District of Columbia Circuit of the Board's condition requiring the installation of grade separations at Ogden Avenue in Aurora and Lincoln Highway in Lynwood and that CN pay 67 and 78.5 percent of the costs, respectively, for those separations. This is the only one of the 182 environmental mitigation conditions imposed by the Board that CN has challenged. We recognize that none of the mitigation requirements have been stayed pending CN's appeal and we are working to progress all of the requirements.

CN's objective is to work constructively with the communities along the EJ&E to implement this transaction in a safe and efficient manner that complies with the Board's requirements. We look forward to continuing to work with the Board as we implement this transaction

Sincerely,



Karen Borlaug Phillips  
Vice President – North American  
Government Affairs

cc: Transportation Secretary LaHood  
House Transportation & Infrastructure Committee Chairman Oberstar  
House Transportation & Infrastructure Committee Ranking Member Mica  
Members of the Illinois Congressional Delegation  
Section Chief Rutson