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July 10, 2009

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

Mr. Edward W. Pritchard
Director
Office of Safety Assurance and
Compliance
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Director Wallen and Director Pritchard:

I am responding to the June 30, 2009 letter from Ms. Karen Darch and Mr. Tom Weisner regarding CN's safety record. Contrary to the assertions of Ms. Darch and Mr. Weisner, CN's strong safety record is evident when the statistics are viewed properly.

CN Safety Performance

In their letter, Ms. Darch and Mr. Weisner quote train accident rates per million train miles for CN and five of the other Class I carriers, presumably taken from the FRA's web site. However, as you are aware, these figures only reflect operations in the United States. For two principal reasons, I believe it is much more instructive to look at CN's record system-wide – not just the U.S. component – when we are being compared to other railroads' entire systems.

First, CN's operations in the U.S. are heavily weighted towards customer and industrial switching, yard switching, and interchange activities of single car merchandise type traffic. As you know, one hour of this type of work generates a contribution to the train-mile denominator of only six miles. Most of our train accidents in the U.S. – nearly 80 percent over the past 30 months – are non main track accidents. Thus, due to the nature of our operation, we experience a relatively higher number of typically minor yard accidents, for which we get a lower number of train miles in the denominator, than do our Class I U.S. counterparts with a higher percentage of through train business.

The former EJ&E, itself a highly switching-intensive carrier, provides a clear example of this effect. The EJ&E's safety record prior to takeover was certainly in line with its peers, but its accident rate was high compared to road-haul carriers. For 2008, the EJ&E's train accident rate was 12.70, driven in large part by an operational mix of high switching activity and relatively low road-haul train miles.

Second, the issue at hand is the EJ&E, upon which we intend to progressively add predominantly through train business, while adding very little incremental yard and industrial activity. Thus, the change in operations envisioned by our operating plan and our Safety Integration Plan (SIP) has much more in common with CN's system-wide operation. I would also point out that CN is making extensive infrastructure improvements on the EJ&E, in accordance with our submitted plans.

On the basis of total system to total system, CN's FRA reportable accident rate compares very favorably with those of our Class I peers:

Year	CN Train Accident Rate	Average of Other 5 Largest Class I Carriers	CN Rank out of 6
YTD 2009	1.92	2.44	Second
2008	2.58	2.74	Third
2007	2.73	2.82	Third
2006	2.40	3.05	Second

Ms. Darch and Mr. Weisner also draw a comparison of highway/rail accidents per million train miles. Crossing accident rates have much more to do with crossing density, adjacent land uses, the nature of rail operations, and driver behavior, than with the safety culture or practices of the railroad involved. As you know, the cause of most such accidents can be traced to driver behavior – indeed, in 29 percent of the cases on CN's U.S. operations in 2008, for example, the driver actually hit the train.

We have also continually improved our safety performance in Canada. Our Transportation Safety Board of Canada train accident record – main track and non-main track accidents – totalled 629 in 2002, but fell to 352 in 2008, which is a 44 percent reduction. CN has achieved this improvement, despite acquisition of multiple railroads in Canada in recent years, through significant investments in technology and training, and enforcement of rules.

In evaluating train accident statistics, it is also important to recognize that CN and all railroads are required in the U.S. to report accidents that exceed the FRA-established threshold (currently \$8,900 in property damage and other specified factors); in Canada, railroads are required to report essentially every accident, no matter how minor. Statistics showing the severity of CN's accidents in recent years, measured by the costs of derailments, demonstrate dramatic improvements since 2006. For the CN system, total accident costs fell 41 percent in 2008 versus 2007, and have fallen an additional 10 percent in 2009 versus last year.

Despite these improvements, CN has experienced accidents in Illinois in recent months. Fortunately, with the exception of the tragic derailment last month outside Rockford, Illinois, none of these resulted in loss of life or injuries. Accidents are unfortunate, but they – like accidents on the highways and involving other transport modes – do sometimes occur. Our constant goal is to do better and take every step possible to prevent accidents.

CN's Safety Culture

I find it unfortunate that Ms. Darch and Mr. Weisner felt it necessary to resort to referencing a May 2008 Canadian Parliamentary Report on rail safety in Canada. While this report noted some areas where CN has had to work to improve, it also cited the underlying report of the Railway Safety Act Review Panel, which found that the record of Canada's major railways is among the best in North America.

It is true that CN views safety as every employee's responsibility. We work hard to create and improve a culture of safety awareness and safe practices. At the same time, CN has a "zero tolerance" toward employee safety problems – no rule violation will be ignored or overlooked. We strive for a culture of accountability in operating and safety rule compliance.

To further strengthen CN's safety culture, CN created a new Chief Safety Officer (CSO) position and in April 2007 appointed Paul Miller as CSO. He has the complete support and engagement of the senior management team as he strives to improve CN's safety culture. We also have comprehensive training, coaching, awareness, motivation, and involvement initiatives. Our safety training begins with new hires and never stops. Each year, CN invests some \$10 million in safety training, with approximately 80,000 hours of technical and safety training delivered to CN employees. CN strongly believes that our people programs, applied consistently over time, will produce habitually safe behaviors. We also have a number of vehicles available for employees to voice any safety concerns.

EJ&E Implications

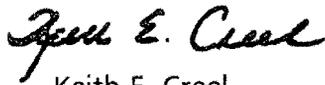
Ms. Darch and Mr. Weisner ask the STB and FRA to order CN to revise our SIP to "ensure that CN operates safely on the EJ&E lines" and that CN not be allowed to shift any new trains or traffic onto the EJ&E until the revised SIP has been approved by STB and FRA and fully implemented.

We do not believe any revisions to the SIP for the EJ&E transaction are warranted. CN stands firmly behind the representations made in our SIP and we are committed to safe operations on the EJ&E. Our operations on the EJ&E since CN assumed control on January 31, 2009 reflect strong safety performance.

It is also noteworthy that CN has been successful in negotiating Voluntary Mitigation Agreements with 17 of the 33 communities located on the EJ&E line, and we have been working productively with these communities to address a broad range of issues, particularly safety. We also continue to work with the communities along the EJ&E line with which we do not have agreements to implement the transaction and the STB's environmental and safety mitigation conditions in a manner consistent with the STB's decision. We continue to strive to work cooperatively with all the EJ&E communities and it is our hope that communities long opposed to the STB-approved EJ&E transaction will be willing to do so as well.

CN is proud of our advancements in operating a safe railroad and we remain committed to continuous safety improvement. I appreciate the opportunity to comment on CN's safety record and would be pleased to address any questions you might have.

Sincerely,



Keith E. Creel

cc: Administrator Szabo
Acting Chairman Mulvey
Commissioner Nottingham
Members of the Illinois Congressional delegation