

Northwoods Rail Transit Commission

Members: Ashland, Florence, Forest, Iron, Langlade, Lincoln, Marathon, Marinette, Oconto, Oneida, Price, Rusk and Vilas Counties of WI and Baraga, Delta, Dickinson, Gogebic, Houghton, Iron, Marquette, Menominee and Ontonagon Counties of MI

Meeting Summary

Great Lakes Timber Professionals Association – Rhinelander, WI July 20, 2018 – 10:00am Central Time (11am Eastern)

1. Call to Order

The meeting was called to order at 10:01 a.m.

2. Introductions of Attendees and Public Comments

Participating Commissioners:

Al Koskela, Houghton County; Dale Kupczyk, Ashland County; Kelly Klein, Iron County WI; Joe Pinardi, Iron County WI; Albert Koskela, Houghton County; Jay Verhulst, Vilas County; Bill Liebert, Oneida County; Andy Albarado, Rusk County; Mike Cassidy, Marinette County; Al Christensen, Marathon County; Stacy Johnson, Oneida County; Wendy Gehlhoff, Florence County; Fran Modschiedler, Florence County; Gary Kabasa, Ashland County; Bill Menge, Baraga County

Other participants:

Ty Penca, Citizen; John Duncan Varda, Wisconsin Central Group (WCG); Pasi Lautala, Michigan Technological University (MTU); Rick Bliese, Lincoln Wood Products, Inc.; Jim Rosenbeg, WEDC; Jeff Radcliff, Houghton County Meghan Ladwig, Senator Baldwin's office; Rich Kedzior – WISDOT; Brian Buchanan, CN; Kari Divine, Renewable Resource Solutions; Tom Klimek, Escanaba & Lake Superior Railroad; Darryl L. Landeau, North Central Wisconsin Regional Planning Commission

3. Approval of Meeting Notes from April 18, 2018

Two amendments to the participating commissioners were made to the draft minutes. On a motion by Al Christensen, seconded by A. Koskela, the meeting notes of the April 20, 2018 meeting were approved as amended with all in favor.

It was noted that the minutes would be sent out within five business days of the meeting as unapproved so that they are available to the Commissioners and others without waiting for prior approval from the Chair.

4. Update on County appointments to the Commission

A handout of Commissioners was shared and is included as an attachment to the meeting minutes. It was noted that the current Commissioners are posted on the website.

M. Cassidy reported that Marinette County has changed their decision to withdraw from the Commission in 2019.

Price County has not appointed Commissioners.

5. Update on Invoices to counties for 2018 dues

Two Wisconsin counties and two Michigan counties have not paid their membership dues. Invoices were sent in February and reminders were sent in June. A. Albarado noted that Ashland County had not paid,

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that Price County has indicated they will not be paying, but that the Price County EDC may pay, and that the two Michigan counties were not in attendance and that he would follow up with them regarding payment.

6. Update –Final Report of Northwoods Freight Rail Study - WI DOT. The executive summary of the study has been shared by WI DOT and is available at this link. The link will be shared on the NRTC website as well. <http://wisconsin.dot.gov/Documents/projects/multimodal/rail/northwoods2018.pdf>
7. Status of Collective Industry efforts WCG/LSSA (Duncan/Varda)
 - a) Update Lake States Shippers Assoc., Wisconsin Central Group Update
 - b) LSSA Data Co-op Committee, Michigan Tech Project update, planning for Phase 2.
 - c) Maintaining collaborative relationships with GLFR rail carriers.
 - d) Prospects for alternative rail operators?
 - e) WisDOT Rail Plan - Designating Hwy 8 Rail Corridor as "critical" for preservation?
 - f) Legislative initiatives for freight rail preservation, MI and WI?
 - g) Outreach to Minnesota GLFR shippers?

J. Varda provided an update. WCG is working with MTU to solicit data to identify shippers/receivers to provide information to WI DOT to identify specific freight that is susceptible to rail. Their priority is preservation of the Highway 8 corridor as a through route. Coordination between the NRTC and the northern MN rail group is important.

J. Verhulst asked about trails to rails and noted that there aren't any active rail lines in Vilas County. J. Varda suggested that access to rail via truck, etc. is important even if rail lines are not in a specific county. R. Kedzior clarified that any trail preserved under the rails to trails is still a railroad by law and can be petitioned to return to active service.

W. Gehlhoff asked about how the WI DOT budgeting process would affect the timing of preserving the Highway 8 corridor. J. Varda suggested that NRTC work with the freight advisory committee to ensure that it be identified as a critical corridor in the next version of the WI rail plan. The rail preservation funds can be used to develop business opportunities along a rail line and to improve the rail line itself. B. Buchanan noted that Class I rail roads have been reluctant to accept public funding because of the threat of loss of control.

S. Johnson asked why CN doesn't allow release of the track to other railroads that would be interested in operating the lines since it doesn't appear interested in them based on its financial reports. B. Buchanan noted that CN was in negotiations with another railroad a couple of years ago, but that they couldn't come to an agreement due to internal hurdles that couldn't be overcome. He also noted that if there are specific examples in which rail service is an issue, then he would like to be informed of them.

J. Varda noted that CN has congestion issues everywhere south of Stevens Point at this time. He said that the rail road needs to identify a strategic plan to get available freight on the rail road and that CN has the authority to price freight off of the highway by lowering prices, but that they don't do that which is why WCG and LSSA is looking at freight lines. B. Buchanan noted that while there is excess rail

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capacity in the Northwoods, there is congestion on the rest of the CN network and that prices are set in part on rail capacity in the entire network.

A suggestion was made to put people on the lines to both use and promote rail and to encourage tourism across the region.

8. Status of Michigan Tech work – (Lautala)

A two-part study is being conducted. One part is to get detailed data from forest product companies to build a model to replicate log and pulp movement across the region. The second part is more general and looking at other freight moving in/out of the area. This data is being gathered from three databases: the NRTC study, transit databased and forest products company's non-log movements.

9. Discussion – communications with Federal/State representatives related to Northwoods Rail

a) Sen. Baldwin communications with CN.

STB sent letters to Class I railroads to address projections for rail issues because of capacity issues across the country. Senator Baldwin sent a letter to CN. M. Ladweg reported that they are currently reviewing CN's response to the letter and noted that CN highlighted continued communication with stakeholders such as through contact with the NRTC. She will share the response letter with the Chair. A. Albarado shared these letters via email during the meeting and they are included in the minutes as attachments. M. Ladweg indicated that the STB is about to be fully appointed and will be able to move forward more effectively.

10. Discussion on WisDOT Intermodal Subcommittee (Buchanan-CN/Jones-WEDC)

The intermodal subcommittee was established to determine where the best location for an intermodal ramp would be. The committee is finalizing a survey to disseminate to users to get more information on freight flow. Three communications regarding the survey will be upcoming. The survey will be for shippers and receivers. P. Lautala suggested setting a minimum threshold for survey takers so that the focus is on those companies who will make the most impact.

11. Discussion/Consideration on request for support of Freight Rail Infrastructure/Preservation Grant funds in WI.

CN submitted comments that this program funding focus be changed from publically owned lines to light lines. A. Albarado, John and Ken will develop some talking points and will have a position to be approved at the next NRTC meeting. WI DOT has provided public funds to ELS Railroad, which is privately owned. As a part of this, the state has liens on those properties improved by public funding. The recipient can return the funds to the state to remove the lien.

12. Consideration/Approval on pursuing grant funding

a) EDA Technical Assistance Grant

1) Grant Applicant, Preparation, Administration

Senator Baldwin's office connected NRTC to the State EDA contact. A scope of work was developed. The EDA grant would be used to fund a consultant to develop a plan of how to utilize rail in the region. The grant would be for \$50,000 with \$25,000 in matching

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required. North Central Regional Planning Commission (NCRPC) is interested in doing the grant application and administering the grant. Their administrative costs would be written in the grant.

b) WEDC Capacity Grant

This grant would provide the \$25,000 matching funds needed for the EDA grant. NCRPC would write and administer the grant.

c) Scope of work

A. Albarado read the draft scope of work that was developed. On a motion by W. Gehlhoff, seconded by J. Verhulst, it was approved to pursue grant funding from EDA and WEDC through NCRPC, with all in favor.

13. Discussion on Administration of NRTC

a) Notice of termination from Renewable Resource Solutions

Renewable Resource Solutions submitted a letter to terminate the contract for administrative services as of the end of July. Renewable Resource Solutions will refund the Commission \$2,708.33 (5/12) of the annual contracted fee. A. Albarado discussed administration with North Central Wisconsin Regional Planning Commission which had previously administered the NRTC. The Executive Committee will make a recommendation regarding administration prior to the next meeting.

14. Next Meeting Date

The next meeting is scheduled for September 24th.

Other comments:

T. Klimek clarified that while ELS is a private railroad, it began operations in WI under the auspices of the Northeast WI Rail Transportation Commission (NWRTC) comprised of Marinette, Oconto, and Brown counties. Both loans and grants from WisDOT for rail acquisition and improvements were awarded to the NWRTC. Both 2016 and 2017 were successful years for ELS and its largest challenge is finding capacity for building rail cars at their Escanaba, MI, car shop. Contract rail car repairs for the 10 largest private car owners in North America keeps them in business. If funding for new log cars became available, ELS would be very interested in partnering to build these cars.

15. Adjourn

Motion to adjourn at 11:35 a.m. by R. Koskela, seconded by M. Cassidy, and unanimously passed.

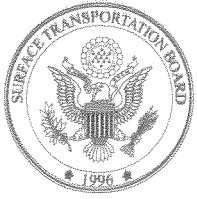
NRTC Meetings are open to the public.
For more information, contact: Kari Divine at 906-875-3720
or kari@renewableresourcesolutions.com

- Ashland County
 - Gary Kabasa, County Board
 - Dale Kupczyk, Northwoods Rail Vice Chair, Ashland County EDC, retired
- Florence County
 - Fran Modschiedler, County Board
 - Wendy Gehlhoff, Northwoods Rail Chair, Florence County EDC
- Forest County
 - Ron Karl, County Board
 - Don Dehart, County Board
- Iron County
 - Kelly Klein, Iron County EDC
 - Joe Pinardi, County Board Chair
- Langlade County
 - Dave Solin, County Board Chair
 - Angie Close, Langlade County EDC
- Lincoln County
 - Derek Woellner, County Board
 - Kevin Koth, County Board
- Marathon County
 - Alan Christensen, Northwoods Rail Sec. / Treas., County Board
 - David Nutting, County Board
- Marinette County
 - Mike Cassidy, Citizen
 - Tricia Grebin, Marinette County Board
- Oconto County
 - Paul Ehrfurth, Oconto County EDC
 - Gary Frank, County Board
- Oneida County
 - Stacey Johnson, Oneida County EDC
 - Bill Liebert, County Board
- Price County
 - TBA
 - TBA
- Rusk County
 - Andy Albarado, Chair, Rusk County EDC
 - TBA
- Vilas County
 - Jay Verhulst, County Board
 - TBA

NRTC Commissioners – Michigan

7/19/18

- Baraga County
 - Bill Menge, County Board
 - Gale Eilola, County Board
- Delta County
 - Peter VanSteen, CUPPAD
 - David Rivard, County Board
- Dickinson County
 - Joe Stevens, County Board
 - Barb Kramer, County Board
- Gogebic County
 - Joe Bonovetz, County Board Chair
 - Tom Laabs, County Board
- Houghton County
 - Al Koskela, County Board Chair
 - Tom Tikkanen
- Iron County
 - TBA
 - TBA
- Marquette County
 - Steve Schenden, County Director of Sawyer Operations
 - Scott Erbisch, County Administrator
- Menominee County
 - Steve Gromala, County Board
 - TBA
- Ontonagon County
 - Carl Nykanen, County Board
 - TBA



Surface Transportation Board
Washington, D.C. 20423-0001

March 16, 2018

Mr. Jean-Jacques Ruest
Interim President and Chief Executive Officer
and Executive Vice-President and Chief Marketing Officer
Canadian National Railway Co.
935 de La Gauchetière Street West
Montreal, Quebec
H3B 2M9
Canada

Dear Mr. Ruest:

We are writing to all Class I railroads to request each carrier's service outlook in the near term and for the remainder of 2018.

As you know, the Board closely monitors freight rail service across the nation's rail system. In recent weeks, the Board has become increasingly concerned about the overall state of rail service based on the weekly data collected by the Board pursuant to 49 C.F.R. pt. 1250. Although there are exceptions, most Class I railroads' data indicate that service is deteriorating. For several major railroads, system average train speed has declined noticeably, while system average terminal dwell time has climbed. For these same railroads, other key metrics – such as the average number of cars in revenue service that have not moved in 48 hours or more – are trending in an unfavorable direction. The Board's Rail Customer and Public Assistance program staff will begin holding weekly calls with these carriers.

The Board also recently received correspondence from two major rail shipper trade associations, the National Grain and Feed Association (NGFA) and the Alliance of Automobile Manufacturers (Auto Alliance). Although these associations represent very different industries, they voiced similar serious concerns about the reliability of the nation's freight railroad network. Both letters described significant degradation in rail service in recent months. These letters have been posted on the Board's website.

For the information of the Board and stakeholders, please provide the Board a written response regarding the outlook for rail operations across your network. In your response, please address the following issues related to the adequacy of your rail service:

- Locomotive availability: Please discuss your locomotive fleet, including the current number of road locomotives and whether that number is adequate to meet service demand, as well as available stored serviceable locomotives versus historical norms. Please also address locomotive acquisition plans for 2018.

- Employee resources: Please discuss whether your current train and engine employee headcount is adequate to meet service demand and your hiring plans for operating personnel in 2018, including recent train recrew rates versus historical norms. Also, please discuss the adequacy of managerial personnel in the field, and whether managerial resources are presently sufficient to execute operations.
- Local service performance: Please discuss your carrier's local service performance, including specific yards or locations where performance is trending below historical norms.
- Demand: Please discuss your expectations for service demand in 2018, ability to serve this demand, and whether internal projections for demand in 2018 have been accurate based on actual volumes year-to-date.
- Communication: Please describe initiatives to proactively communicate with shippers regarding service issues.
- Capacity constraints: Please identify any specific locations on your network currently experiencing sustained congestion due in whole or in part to capacity constraints and what actions are being taken to alleviate congestion, including re-routes and/or infrastructure enhancement.

In addition, please comment on the issues raised by NGFA and the Auto Alliance.

Thank you for your attention to this request. If you or your staff have any questions about our requests, please contact Lucille Marvin, Director of the Board's Office of Public Assistance, Governmental Affairs, and Compliance, at 202-245-0238.

Sincerely,



Ann Begeman
Acting Chairman



Deb Miller
Vice Chairman



www.cn.ca

J.J. Ruest
President and
Chief Executive Officer

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March 22, 2018

The Honorable Ann Begeman
Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

The Honorable Deb Miller
Vice Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Dear Chairman Begeman and Vice Chairman Miller,

Thank you for your March 16 letter requesting information regarding our service outlook for the remainder of 2018. We very much welcome your interest in these important issues and appreciate the opportunity to outline for you the steps we are taking to meet the growing needs of our customers and of our role to support the economy.

My first and top priority as president and chief executive officer at CN is to quickly improve the movement of the wide range of our customers' goods throughout our North American network. We have apologized publically for not meeting the service expectations of our customers, nor our own high standards for service excellence. I can assure you that the entire CN team has a sense of pride and urgency to regain the confidence of all our customers and stakeholders.

We have taken immediate action across our network to relieve our congestion, particularly in our busy Chicago to Winnipeg corridor across Wisconsin and Minnesota. I will be in Washington in June 2018, and I would look forward to an opportunity to meet with you to discuss the progress we are making. Ahead of that meeting, I would like to address the issues raised in your letter:

Locomotive Power

We recognized last year that the unexpected rapid growth coming to our network was going to require additional locomotives. In December 2017, we announced an agreement to purchase 200 new GE locomotives, which will be manufactured in Fort Worth, Texas. At more than US \$500 million, it's CN's largest new locomotive purchase order since 2012 and GE's largest order since 2014. The first order of 60 new locomotives will start arriving in June 2018.

In order to boost our capacity immediately, we have leased 130 locomotives, which came online in the first three months of the year. We are confident that with the leased equipment and the delivery of new locomotives later this year, CN has the power we need.

Employee Resources

Volume growth will also require additional train crews to meet our needs and, last summer, we began an aggressive hiring plan. In 2017, for our total network, we hired 3,400 employees for positions across the company to replace attrition and accommodate growth, including 400 in the Wisconsin to Minnesota corridor. We called hundreds of employees back to work, bought back vacations, and invited retirees to return to work in order to help for a short period of time.

We have new conductor classes graduating each week and moving into the field. In the first three months of this year, we've added about 400 new qualified conductors to the field – almost double the number we deployed in the field in the last three months of 2017. This hiring continues with more than 2,000 employees across the company in 2018. In addition, our management teams remain sufficiently staffed.

Local Service Performance

We have delivered sequential improvements in our operating metrics for the last three weeks, and are confident our team's focus and actions will continue to help CN make progress. Our short-term priority is on improving train speed and network velocity, reducing port dwell times and ground counts at our major intermodal ports, including reducing inland terminal carter time, particularly in Chicago and Memphis.

Demand

CN is expecting three to five percent revenue ton-mile growth in 2018. Even with a difficult start to the year, at this point, we are not adjusting our volume guidance, and we are confident that the steps we are taking will leave us well positioned to handle our volumes, particularly in the second half of the year.

Communication

We remain in communication with our customers through direct one-on-one interactions from account managers and customer service representatives, as well as through regular "State of the Network" updates.

Capacity Constraints

In the coming weeks, CN will start deploying the largest capital expenditure program in its history. CN is investing more than ever before in the safety and efficiency of the network with an approximately C\$3.2 billion capital program, a nearly 20 percent increase over last year's investment.

Capacity investments are being targeted in our key Edmonton to Chicago corridor, which runs through Minnesota and Wisconsin. Key investments include a new siding project at the international border in Ranier, Minnesota and double track in Northern Wisconsin outside Superior. We are also adding yard capacity in Blair, Wisconsin to support our rapidly increasing frac sand business. Other double track and siding extension projects in Western Canada will help us build resiliency and capacity in this corridor. In addition, to accommodate growing intermodal traffic, we are making capacity investments in Memphis and Joliet, Ill., and other terminals.

We have projects shovel-ready for Spring, and the required materials and equipment already in place so work can start as soon as possible. Combined with major investments in 2017 on the same corridor in Northern Minnesota and Fond du Lac, Wisconsin, these improvements will address key pinch points, provide resiliency, and increase capacity.

NGFA and Auto Alliance

I would like to address a few of the key points raised by the two letters you received from the National Grain and Feed Association and the Alliance of Automobile Manufacturers.

With respect to the National Grain and Feed Association concerns, it should be noted that CN accounts for about four percent of grain movements by rail in the United States. A significant portion of our grain business goes to the Gulf Coast. CN's network, in essence, parallels the Mississippi River, the key bulk transportation corridor in the market we serve. Unexpected flooding has impacted important parts of the supply chain, and we are working to try to service short term spot business to provide some relief for those affected by this challenge.

The congestion in and around Memphis has mainly been attributed to crew availability constraints and, as we continue to add new personnel, this situation will improve.

With respect to the Alliance of Automobile Manufacturers, our greatest challenge with finished automobiles has been receiving our cars back from others

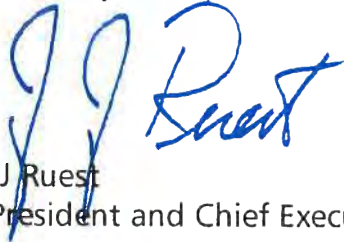
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The Honorable Deb Miller
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through the industry pool. We require approximately 250 multi-level auto transport cars daily to meet the needs of our customers in these critical markets. We have taken steps to improve cycle times to Michigan. Further, we are taking steps to repair any bad order cars, so as to return those cars back to service quickly.

In order to help meet customer needs in the South, we acquired nearly 900 new multi-level cars in 2017.

You have my personal commitment that we are acquiring the equipment, hiring the people, building the track infrastructure, and continuing to invest in technology to be well positioned for 2018 and beyond. We will meet the needs of an expanding North American economy and the growing supply chain service demands of our customers. Please be assured CN will continue to invest for the long term, and we look forward to keeping you informed of our progress.

Sincerely,

A handwritten signature in blue ink, appearing to read "JJ Ruest". The signature is stylized with large, flowing letters.

JJ Ruest
President and Chief Executive Officer

United States Senate

WASHINGTON, DC 20510

April 26, 2018

Mr. Jean-Jacques Ruest
President and Chief Executive Officer
Canadian National Railway Co.
935 de La Gauchetiere Street West
Montreal, Quebec
H3B 2MB
Canada

Dear Mr. Ruest:

First, I write to share my congratulations on your recent appointment to interim president and chief executive officer. It is my sincere hope that we work together to strengthen the freight rail system for all stakeholders in Wisconsin.

With more than 3,000 miles of track, rail plays an important role in Wisconsin's freight transportation system and moves millions of tons and billions of dollars' worth of products every year. Manufacturers, paper mills, farmers, agricultural cooperatives, electric utilities and other industries rely on access to efficient and cost-effective rail transportation. Simply put, the safe and efficient movement of goods by rail is vital to our state's economy.

Too often and for too long I have heard from rail-dependent shippers and their customers experiencing service and reliability hardships with CN. Wisconsin businesses report being left waiting for trains and rail cars to take their products to market. This increases costs that are potentially passed on to consumers and unfairly affects business relationships between shippers and their customers. Service issues are often compounded by a lack of communication from the railroad. These accounts are of great concern to me because unreliable rail access, service issues, and increased transportation costs have an impact on the ability of shippers and their customers to remain in business—particularly in rural areas with limited transportation options. Insufficient rail service has the potential to dampen employment, reduce wages and weaken local economies.

In response to heightened concerns and reports about deteriorating service nationwide, the Surface Transportation Board (STB) requested a service outlook plan for the remainder of the year from each Class 1 railroad carrier. I have read your March 22 response to the STB and appreciated both your acknowledgement that CN has not met service expectations and your commitment to quickly improving the movement of your costumers' goods throughout the North American network.

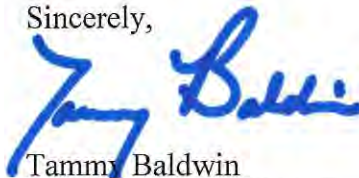
So that I may better understand CN's plans to improve service, I ask that you provide me with CN's outlook for rail operations in Wisconsin for the remainder of this year. In your response, please address the following issues related to the adequacy of your rail service for shippers in the state:

- Locomotive availability: Please discuss your locomotive fleet, including the current number of road locomotives and whether that number is adequate to meet service demand, as well as available stored serviceable locomotives versus historical norms. Please also address locomotive acquisition plans for 2018.
- Employee resources: Please discuss whether your current train and engine employee headcount is adequate to meet service demand and your hiring plans for operating personnel in 2018, including recent train recrew rates versus historical norms. Also, please discuss the adequacy of managerial personnel in the field, and whether managerial resources are presently sufficient to execute operations.
- Local service performance: Please discuss your carrier's local service performance, including specific yards or locations where performance is trending below historical norms.
- Demand: Please discuss your expectations for service demand in 2018, ability to serve this demand, and whether internal projections for demand in 2018 have been accurate based on actual volumes year-to-date.
- Communication: Please describe initiatives to proactively communicate with shippers regarding service issues.
- Capacity constraints: Please identify any specific locations on your network currently experiencing sustained congestion due in whole or in part to capacity constraints and what actions are being taken to alleviate congestion, including re-routes and/or infrastructure enhancement.

Moreover, decisions to abandon lines and discontinue service are leaving rural communities disconnected and with major setbacks to revitalization and job creation efforts. For example, Ashland, Wisconsin has experienced steady economic growth in recent years, however, efforts to attract and retain businesses have been dampened by a rail line closure following the 2016 storm that caused widespread flooding. I wrote to the STB about CN's embargo of the rail line from Mellen to Ashland following that storm, and service on that line remains important to economic development efforts in that area. I am aware of additional proposals for service discontinuance in the region. As CN makes decisions about service, particularly in Northern Wisconsin where local officials continue to advocate for rail service, I respectfully ask that you work with local stakeholders, including short-line railroads, to explore possibilities of maintaining service.

Thank you for your attention to this request.

Sincerely,



Tammy Baldwin
United States Senator



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May 2, 2018

The Honorable Tammy Baldwin
United States Senator
709 Hart Senate Office Building
Washington, DC 20510

Dear Senator Baldwin:

Thank you for your April 26 letter requesting information about CN's 2018 service outlook in Wisconsin. My first and top priority as president and chief executive officer at CN is to quickly improve the movement of customer goods throughout our North American network. I am proud of the progress we have made to date, and I thank you for the opportunity to outline the progress we are making in Wisconsin.

Wisconsin is a central part of CN's route, connecting the Atlantic, the Pacific, and the Gulf of Mexico. Since CN acquired Wisconsin Central in 2001, CN has invested more than \$980 million on capital projects in the state. In 2018, we plan to invest an additional \$100 million, bringing our total investment in Wisconsin to well over \$1 billion dollars.

CN recognizes that your state economy relies heavily upon our operational performance. We have learned from recent challenges, and I can assure you, we are laser-focused on regaining the confidence of our customers and stakeholders in Wisconsin and across North America.

Let me address the issues raised in your letter, building upon the responses we provided to the STB last month:

Locomotive Power

Last year, CN recognized that the purchase of additional locomotives was necessary to meet the rapid, unprecedented growth across our network; including the frac sand boom in Wisconsin. In December 2017, we announced an agreement to purchase 200 new GE locomotives, manufactured in Fort Worth, Texas. At more than \$500 million, this was CN's largest new locomotive purchase order since 2012 and GE's largest order since 2014. In fact, the GE plant was re-opened to fulfill CN's robust order. The first order of 60 new locomotives will begin to arrive in June 2018.

In order to boost our capacity in the near term, we have leased 130 locomotives, which came online in the first three months of 2018. We are confident that with the leased equipment and the delivery of new locomotives later this year, CN has the power we need to meet the growing demand of our customers.

Employee Resources

In 2017, CN hired 3,400 new employees for positions across the company to replace attrition and accommodate growth, including 400 in the Wisconsin to Minnesota corridor. We called hundreds of employees back to work, bought back vacations, and invited retirees to return to work in order to help for a short period of time.

After adding hundreds of train conductors to the field so far this year, CN continues to hire. Approximately 1,250 more qualified train conductors will be in the field across the CN network before next winter, compared to the number of conductors available before last winter. In addition, our management teams remain sufficiently staffed.

Along the Wisconsin to Minnesota corridor, we have hired 90 conductors and over 25 engineers since January 2018. Currently, we have 170 conductors and 70 engineers in training.

Local Service Performance

We have delivered improvements in our operating metrics since March 2018, and we are confident momentum will build as we continue to expand track capacity, bolster our crews, and bring on new locomotives. Our short-term priority is on improving train speed and network velocity, reducing port dwell times and ground counts at our major intermodal ports.

Demand

CN is expecting two to four percent revenue ton-mile growth in 2018. Even with a difficult first quarter, we are confident that the steps we are taking will leave us well positioned to handle our volumes, particularly in the second half of 2018.

Communication

CN remains in communication with both the STB and our customers on a weekly basis. We engage with customers through direct interactions from account managers and customer service representatives, as well as through regular "State of the Network" updates.

Additionally, we remain in close contact with our Wisconsin stakeholders including:

- Great Lakes Timber Professionals Association (GLTPA); CN is on the Board of Directors
- Northwoods Rail Transit Commission (NRTC)
- Wisconsin Manufacturers & Commerce (WMC)
- Wisconsin Department of Transportation (WisDOT); CN is the only Class I railroad on the WisDOT Freight Advisory Board, Intermodal Subcommittee

Capacity Constraints

CN has recently embarked upon the largest capital expenditure program in its history. CN is investing more than ever before in the safety and efficiency of the network with an approximately \$2.6 billion capital program, with approximately \$310 million invested in new track infrastructure. This is nearly a 25 percent increase over last year's investment.

Key investments in the region include a new siding project at the international border in Ranier, Minnesota and double track in Northern Wisconsin outside Superior. Both of these projects are underway and anticipated to be completed by summer 2018. We are also adding yard capacity in Blair, Wisconsin, to be completed by summer 2018, to support our rapidly increasing frac sand business. If frac sand volumes remain strong, and permitting is granted, we have plans to add additional siding on our Wisconsin Whitehall Subdivision, to be built in 2019. Other double track and siding extension projects in Western Canada in 2018 will help us build resiliency and capacity in the Wisconsin corridor. All of these improvements, from Western Canada down through Wisconsin, will address key pinch points, provide resiliency, and increase capacity.

Abandoned Lines

CN continues to engage with local officials and rail stakeholders on service issues. In 2017, CN relocated a log loading facility to Saunty, Wisconsin at CN's expense and reopened 7 miles of dormant track from Ladysmith to Tony, Wisconsin to help meet customer needs.

As you reference in your letter, the 2016 violent storm in Northern Wisconsin caused extensive damage to CN's rail line between Morse (located ten miles south of Mellen) and Ashland. Rail service continues to operate normally from Prentice to Park Falls, but because of the track conditions north of Morse, an embargo was placed on the Morse-Ashland segment. We remain committed to working with our customers and other stakeholders to operate viable rail service in Northern Wisconsin and the Upper Peninsula of Michigan as demand necessitates.

Moving forward, you have my personal commitment that service and operations in Wisconsin will improve. I have asked Andrea Waldock Niethold with our Washington, D.C. team to follow-up with your staff as our progress continues.

Sincerely,



JJ Ruest
President and Chief Executive Officer