CN’s Proposed Acquisition of the EJ&E
Background

- In September 2007, CN and United States Steel Corporation agreed that CN will acquire the major portion of the Elgin, Joliet and Eastern Railway Company.
  - EJ&E is owned by U.S. Steel’s Transtar subsidiary.
  - U.S. Steel’s Transtar subsidiary will retain railroad support of steelmaking operations in Indiana.

- CN will pay $300 million for the acquisition.

- CN plans to invest approximately $100 million to improve the EJ&E.

- CN will reduce congestion in the Chicago-area rail network by taking CN trains off overloaded lines and moving them to a north-south arc west of Chicago.

- The merger requires approval by the U.S. Surface Transportation Board.
CN Facts

- CN operates the only transcontinental network in North America, linking the Atlantic, Pacific and Gulf coasts with more than 20,000 route-miles in eight Canadian provinces and 16 U.S. states.

- Roughly 77% of CN revenue comes from U.S. domestic operations, Canada/U.S. transborder operations, and offshore traffic. "23% is generated from Canadian domestic operations.

- CN employs approximately 22,000 people in the U.S. and Canada.

- CN serves customers moving products such as cars, chemicals, coal, fertilizers, forest products, grain, intermodal containers, metals, minerals and petroleum.
EJ&E Facts

- EJ&E operates over 198 main line miles of track encircling Chicago from Waukegan to Joliet to Gary, Indiana to South Chicago.
- EJ&E serves steel mills, petrochemical customers, utility plants and distribution centers in Illinois and Indiana.
- EJ&E connects with all of the major railroads entering Chicago.
- EJ&E employs about 700 people in Illinois and Indiana.
CN Network and EJ&E Lines
Railroading in Chicago

- Chicago is a key rail hub, but congestion and infrastructure currently are major issues.

- CN rail lines converge in Chicago, coming into the city from five different directions. In Chicago, CN trains connect through suboptimal infrastructure such as tracks known as the St. Charles Airline in the downtown area or indirectly via the Chicago terminal network.

- 700 passenger trains and 500 freight trains go through the Chicago region every day.

- Chicago is the world’s 3rd busiest intermodal hub, surpassed only by Hong Kong and Singapore.

- One third of America’s good and products move to, from or through the Chicago area.

- Rail traffic through the Chicago region touches 5 million jobs nationwide every year, $782 billion in output and $217 billion in wages.
Railroading in Chicago

▪ Chicago is known as the transportation hub of North America, but a freight train can take more than 24 hours to travel an area that is only about 30 miles in length. *(Howard St. on North and 127th St. on the South)*

▪ It can take a CN freight train longer to go from the North to the South side of Chicago than it does from Chicago to Winnipeg, Canada (approx. 860 miles).

▪ This line will bridge what has been the missing link in CN’s network in the Chicago area. It is a way around – rather than through – Chicago.

▪ As CN trains reroute from the existing Chicago terminal network onto the EJ&E, line capacity in greater Chicago will be freed up to ease congestion, benefiting other rail users.

*This acquisition is good news for railroading in Chicago and beyond.*
Public Benefits

"Chicago rail operations"
"The acquisition will improve Chicago rail operations and infrastructure.

"Environment"
"Freight railroads are at least three times more fuel efficient and they emit three times less carbon dioxide than trucks for the same transportation.
"Trains that formerly had to idle on the tracks will smoothly travel through the Chicago region.

"Passenger/commuter"
"The acquisition should have a positive impact on passenger and commuter services operated on CN in the region as freight traffic entering Chicago is shifted from CN’s lines to the EJ&E.

*This transaction is good news for the public.*
Public Benefits

"CREATE project
"The acquisition is consistent with the objectives of CREATE and will reduce taxpayer funding needed for the project.

"Competition impacts
"The acquisition will not harm competition. CN will honor all existing trackage rights agreements.

"Employees
"Present EJ&E employees will be offered jobs on CN or the Gary Railway, or they will be protected if any reductions occur.

"Safety
"As on the rest of the CN system, rail safety will be our top priority.

This transaction is good news for the public.
Implementation

- CN will use proven approach to deliver seamless integration of key operating and customer service systems.

- As in previous transactions, CN will employ a methodical, step-by-step implementation approach to integrate the CN and EJ&E operations without disruptions.
  - $100 million in first three years will go to improvements such as:
    - Better train traffic patterns, connections and rail yard upgrades and expansion
    - New siding extensions and double track

*CN is known for its ability to deliver smooth integration.*
Safety

- CN has submitted a Safety Integration Plan (SIP) to the Federal Railroad Administration and the STB as part of the application process.

- CN is dedicated to assuring that there will be no adverse safety impacts from the acquisition.

- Safety is a core value at CN, and CN will extend its safety programs and practices to the EJ&E operations.
Community Impacts

- The overall environmental impacts of this acquisition will be positive for the region, but train traffic will increase in some suburbs.

"CN is working cooperatively with suburban communities where rerouting of CN trains onto the EJ&E takes place to jointly address specific concerns.

"The STB will prepare an EIS in view of the projected traffic increases – this process provides opportunities for public participation and consultation with appropriate federal, state, and local government agencies."
Passenger Train Impacts

- EJ&E lines are not used for intercity or commuter passenger rail service, although EJ&E crosses several Metra corridors at grade.
  "CN will work with Metra and freight operators to coordinate operations.

- Metra is studying using a portion of the EJ&E corridor for its potential future STAR Line service.
  "CN will work with Metra to explore options to accommodate STAR Line service.

- The City of Chicago has had longstanding interest in the ceasing rail operations on a short downtown route known to railroaders as the “St. Charles Air Line.”
  "Some Amtrak trains operating in downtown Chicago eventually may need to be re-routed once CN ceases operations on that route.
  "CN will work with Amtrak to help ensure that there are no disruptions to intercity passenger rail service.
CREATE Impacts

- CREATE was envisioned as a $1.5 billion public/private infrastructure initiative with funding from federal, state and local government and the railroads.
  - Congress provided significantly lower funding in 2005.
  - Realization of the entire CREATE project – including a new CN Central Corridor route through Chicago – is in question.
  - CN’s investment will save taxpayer funds by eliminating the need to construct part of CREATE -- the proposed Central Corridor.

- The acquisition will advance CREATE objectives by alleviating Chicago rail congestion.

- CN remains supportive of the overall CREATE plan.
Customer Support

- A broad range of CN and EJ&E customers have written to the STB to support this transaction.

"The timely flow of grain from our elevators in the heartland to the export elevator in the New Orleans area is a key to keeping our grain competitive ... CN’s proposed acquisition of the EJ&EW will enhance the flow of our grain through a congested Chicago area."
- Consolidated Grain & Barge, Mandeville, La.

"We at Raw Materials Inc./Chicago Heights Steel are 100% in favor of integration of the EJ&E’s assets into the Canadian National System."

This transaction is good news for EJ&E and CN customers.
"With EJ&E’s belt line as part of the CN system, CN's lines will have better links that will allow CN to carry our pulp and paper products through Chicago with faster transit times and fewer unexpected delays."

-- Temple Inland, with facilities served by CN in Louisiana and Carol Stream, IL.

"This combination will allow (rail) cars to move around downtown Chicago, thus circumventing the horrendous delays that plague rail shippers in that area … Without a doubt the additional capacity created will improve fluidity, not only on the EJ&E, but in the entire Chicago area as well."

-- Evonik Degussa Corporation., N.J.

This transaction is good news for EJ&E and CN customers.
Conclusion

Streamlined rail operations and reduced congestion will benefit current CN and EJ&E customers, the Chicagoland community and the Chicago-area rail network with:

- New efficiencies and operating improvements on CN’s network.
- Good jobs – The majority of EJ&E employees will be joining CN.
- Potential benefits to passenger service as freight traffic shifts to the EJ&E.
- Attainment of CREATE objectives more quickly.

“This is a key step that will connect CN lines with all major railroads entering Chicago, allow international access to the Atlantic, Pacific and Gulf coasts, and provide much needed relief to local freight congestion.”

- CN President & CEO E. Hunter Harrison

**CN and EJ&E: Good news for Chicagoland and beyond.**
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