

NETWORK UPDATE



We continue to take short and long term action to improve our fluidity and future capacity through the acquisition and short-term leases of locomotives and the hiring and training of new train crews. As of mid February, we **received 100 out of 130 short-term leased locomotives**. In the first 3 months of the year we expect to add about **400 new qualified conductors** to the field with more by June.

We are also well on our way to deploy a very solid infrastructure capacity investment plan for 2018, ready to go as soon as the weather allows us to do so. This is an incremental \$500 million of capital over 2017.

STATE OF THE CN NETWORK FOR INTERMODAL CUSTOMERS: Thursday March 1st

- **Network Velocity:**
 - With improving weather, velocity continued to increase over last week. In particular, our Western Canadian Network is becoming more fluid by the day.
 - Transit times from Winnipeg to Edmonton as well as Winnipeg to Chicago corridor have improved.
 - Our corridors from Vancouver and from Prince Rupert to Prince George continue to experience longer than normal transit times.
- **Ocean Terminals:**
 - Prince Rupert import dwell continues to go down as volumes normalize.
 - Import dwell at Centerm Terminal remains elevated.
 - The pipeline remains strong for all Vancouver terminals for this week. We continue to work with our terminal operator partners to ensure full loading on a regular basis.
 - Additional car supply has assisted import dwell reduction in the Montreal Port area.
 - Ports in Halifax have improved import dwell over the past two weeks. We continue to work with our Supply Chain partners to maximize production.

Available Capacity: We have available capacity for empty export containers moving to our East Coast Ports.

- **CN Inland Terminals:**

- Chicago Harvey Terminal: the export container count has returned to normal and we are current on our outbound traffic. Our import container inventory levels remain high due to shortages of chassis and drivers and we expect this to continue into next week. We have increased reservation allocations this week for empty returns into Harvey and no gate reservations are required on the weekends. Additionally, grain containers do not require a gate reservation. Customers are encouraged to both return 40' containers and pick up during off hours.
 - Memphis Terminal: the terminal is experiencing both heavy export and import container congestion. We continue to prioritize and closely work with our terminal operators to prioritize outbound traffic. Carter turn times remain low and while chassis remain tight, customers are encouraged to pick up containers in a timely manner.
 - Edmonton Container Yard (for export empty containers): an allocation system has been implemented in the yard. We continue to work with customers who are over allocation and redirecting them other locations as needed. We anticipate this metering of traffic to continue into next week. Customers are encouraged to use this traffic when planning export moves.
 - Brampton Terminal: our import volumes remain high and customers are encouraged to both pick up and drop off containers in the same trip.
 - Empty CNRU Container supply: both Toronto and Memphis are tight for 53' equipment. We are repositioning throughout the week to work to keep up with accepted orders.
- **Weather:**
 - Better weather across Western Canada has allowed us to reduce the average car dwell time.
 - No tier restrictions anticipated for the remainder of the week. For more information on Tier restrictions visit www.cn.ca/winter
 - Snow is expected in British Columbia and Alberta as well as around the Great Lakes.

The Impact of Weather on the Network

- Harsh weather conditions impact our train lengths and velocity across the network.
- Sustained deep cold has an adverse impact on rail operations and creates real structural issues.
- Air becomes denser and therefore increasingly more difficult to pump through the air brake system of a train.
- Air hoses and valves can become frozen and functionality is impaired.
- Locomotive failures can increase due to snow and cold in the engine componentry.

- We are forced to cut our trains short to ensure safe train operations under these conditions.
- Cutting trains decreases capacity and increases congestion as more trains are needed to move the same amount of traffic.
- Shorter trains still require the same number of crew members and often the same number of locomotives, a major challenge when combined with volume growth.
- When these extreme cold weather occurrences become frequent or sustained over an extended period, it creates further strain on crew and locomotive availability.
- In the first six weeks of 2018, we had to shorten our trains 75% of the time. For context, in 2018 we have seen temperatures going below - 30 degrees Celsius in Canada twice as much as compared to last winter.

For more information on the effects of temperatures on rail operations please watch the [Tipping Point](#) video.

- **Safety Reminder:**

- Spring Thaw will come into effect on **March 5th** in Montreal.
- Spring Thaw weight restrictions are now in effect out of Edmonton, Calgary, Winnipeg, Vancouver and Saskatoon. For more information on winter preparedness including tips please visit our Winter hub on cn.ca/winter.

Please reach out to your CN Account Manager or Intermodal Service Delivery Representative regarding any questions you may have.

Thank you and, as always, we appreciate your business.
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