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April 11, 2008

BY HAND

Ms. Victoria J. Rutson, Chief
Section of Environmental Analysis
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

**Re: Canadian National Railway Company and Grand Trunk Corporation –
Control – EJ&E West Company (STB Finance Docket No. 35087)**

Dear Ms. Rutson:

I am writing, on behalf of Applicants Canadian National Railway Company and Grand Trunk Corporation (together, "Applicants"; together with their rail carrier subsidiaries, "CN"), to provide you and HDR Engineering, Inc. ("HDR"), with the responses to the item no. 29 from your Data and Information Request #2, which you sent as an enclosure to your letter of March 7, 2008, to Normand Pellerin of CN. CN is still working on the responses to item nos. 11 and 30 from that Request, and expects to be able to provide them soon.

29. Please provide a discussion or documentation that clarifies CN's role, relationship, and commitment to the Chicago Region Environmental and Transportation Efficiency Program (CREATE). Also, discuss how these may change if the transaction is approved.

On June 14, 2003, the Association of American Railroads ("AAR"), representing participating railroads including CN, entered into a Joint Statement of Understanding ("JSOU") with the Illinois Department of Transportation ("IDOT") and the Chicago Department of Transportation ("CDOT") for the CREATE Project. A copy of the JSOU was provided as Exhibit C to the Joint Verified Statement of Robert T. Holmstrom and Paul E. Ladue, which was included in the Appendix to CN's Response to Comments and Requests for Conditions (CN-29, filed March 13, 2008).

CREATE was estimated to cost approximately \$1.53 billion, with the rail participants collectively contributing \$232 million to pay for the estimated railroad benefits of the Project, and with the remainder, corresponding to the Project's public benefits, to be funded

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from federal, state, and local sources. JSOU, Art. II, Sec. 6. The JSOU provided that further agreements establishing the formal obligations of the parties would be required, and necessary governance requirements and formal working groups to advance the Project, including the Chicago Planning Group ("CPG"), were established.

The JSOU recognized, as an important part of CREATE, the City of Chicago's interest in the termination of CN's rail operations through the City along CN's current route over the St. Charles Air Line and certain connecting properties, and their eventual acquisition by the City for development and other purposes. JSOU, Art. II, Sec. 15. Thus, the parties provided in CREATE for the construction by CN of a new line as part of what is called the Central Corridor. A Memorandum of Understanding ("MOU") among the participating railroads previously entered into on May 6, 2003, allocated the railroad contributions for CREATE. CN, the only participating railroad in CREATE that would be required to relocate its operations onto a new line, was to contribute \$63.4 million of the rail contribution dedicated solely to the rail assets (rail, ties, ballast, and signals) to construct such route. (A copy of the MOU was provided as Exhibit D to the Verified Statement of Robert T. Holmstrom and Paul E. Ladue, included in the Appendix to CN-29.)

The JSOU and MOU provided that the railroads' financial contribution and their continuing participation in CREATE was dependent upon full authorization and availability of the public funds required for the Project. JSOU, Art. II, Sec. 6; MOU, Sec. 3(c), 4(c). To fully implement CREATE, it was expected that between approximately \$900 million and approximately \$1 billion in federal funds would be required.

In the SAFETEA-LU legislation enacted in 2005, however, Congress belatedly authorized only \$100 million in federal funds for CREATE,¹ which was eventually reduced to \$86 million in the appropriation process. The parties to CREATE nonetheless agreed in 2006 to use the limited federal funds, along with certain railroad and state funds, to attempt to move forward with an abbreviated implementation of CREATE with project components along the Beltway and Western Avenue corridors, and the carriers amended their MOU accordingly. (A copy of the Fourth Amendment to the Railroad MOU was also provided as Exhibit E to the Verified Statement of Robert T. Holmstrom and Paul E. Ladue, included in the Appendix to CN-29.) Because CN funds were committed solely to construction of the Central Corridor and because the Beltway and Western Avenue components would not benefit CN, the amended MOU excludes CN as a financial contributor for this limited CREATE phase. While IDOT and CDOT agreed in principle to proceed with this limited CREATE implementation, a

¹ Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No. 109-59, § 1301(m), 119 Stat. 1144, 1203 (2005).

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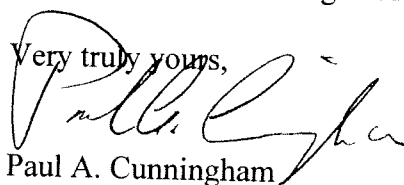
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complementary amendment to the JSOU has not been executed as yet.

Concerned that CREATE might never receive sufficient funding to allow for its complete implementation (with the next broad Congressional authorization for transportation projects not expected until 2009 at the earliest), and also that any potential completion would be at best many years away, CN began to explore other options to address the ever worsening congestion impacting its operations through Chicago. Those efforts culminated in its proposal to acquire the major lines of the EJ&E for \$300 million and to build new connections and added capacity costing another \$100 million.

Should the STB approve CN's application, CN would eventually be able to relocate most of its operations through Chicago to the EJ&E arc and would no longer require, or commit funds to build, a Central Corridor route. Nonetheless, while not a financial contributor, CN would continue to remain an active participant and partner on the CPG and in CREATE. CN believes that through its investment of \$400 million in the lines of the EJ&E, plus additional expenditures for environmental mitigation, the proposed Transaction would significantly advance CREATE's objectives. It would help reduce congestion in the Chicago region and allow CN to eventually relocate its operations from the Air Line route, as has long been sought by the City of Chicago. Moreover, it will accomplish these ends more quickly and with less disruption to the surrounding heavily populated community than would construction of the full Central Corridor route. Instead, using only its own funds and as beneficial for the region, CN would rely primarily on improved utilization of the existing under-utilized lines and right-of-way of the EJ&E moving through less densely populated and less rail-congested areas.

Very truly yours,



Paul A. Cunningham
Counsel for Canadian National Railway Company
and Grand Trunk Corporation

cc: John H. Morton
Normand Pellerin