



Genesee & Wyoming Canada inc.

Shortline Challenges

Presentation to Railway Association of Canada

September 5th , 2018 - Ottawa



Overview



Genesee & Wyoming Inc.

- **Railroads:** 122 short lines with ~16,000 track miles (80% North America; 20% Australia/Europe)
- **People:** 8,000
- **Customers:** 3,000
- **Equipment:** 1,350 locomotives
- **Carloads:** ~3.4 million annually
- **Mission :** To be the safest and most respected transportation service in the world.

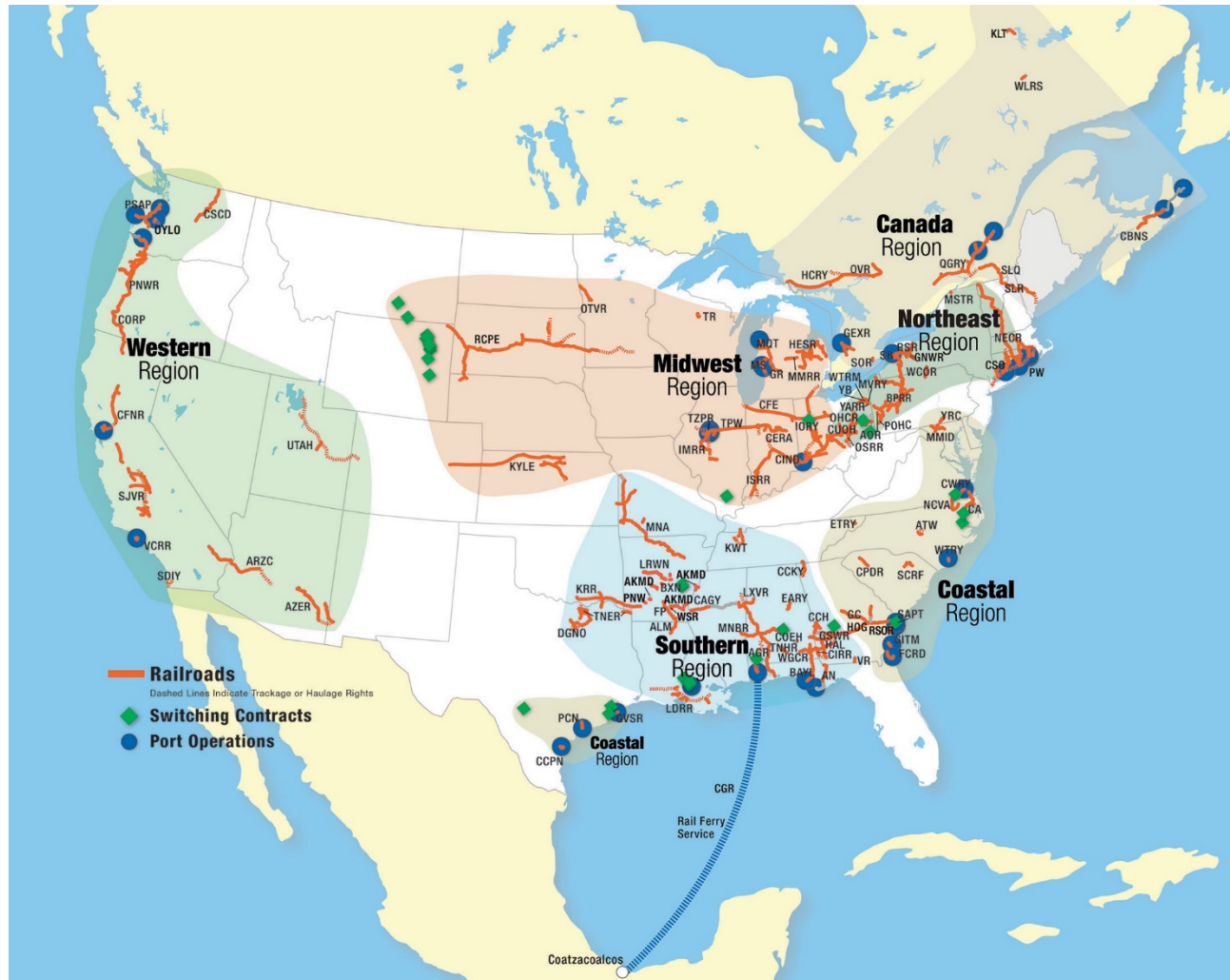


What is a short line?

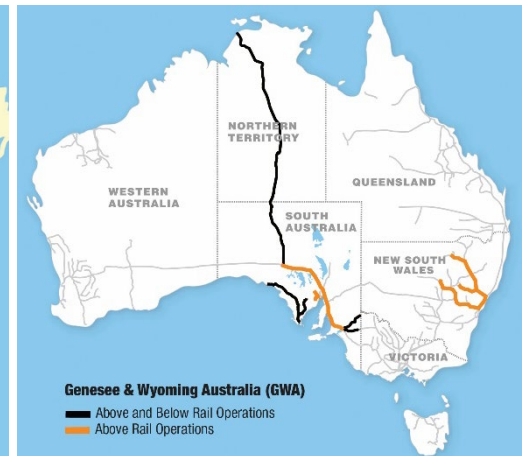
- Short lines normally perform the service on the first mile(s) / last mile(s).
- Most short lines were, at one point, part of a Class 1 railroad. As such, they have remained the extension of their network.
- Selling these assets allowed the Class 1 railroads to retain the volume and transfer the less profitable portion of the haulage to a captive partner.
- There are more than 50 short lines in Canada.
- 20% of Canadian rail volume is handled one way or another by a short line.
- Short lines participate in \$20.3 billion of railway freight revenue per year.
- Short lines offer a vital service to many remote Canadian businesses that would simply not exist without this cost-effective transportation option.

8 Autonomous Operating Regions

North America (6 regions)



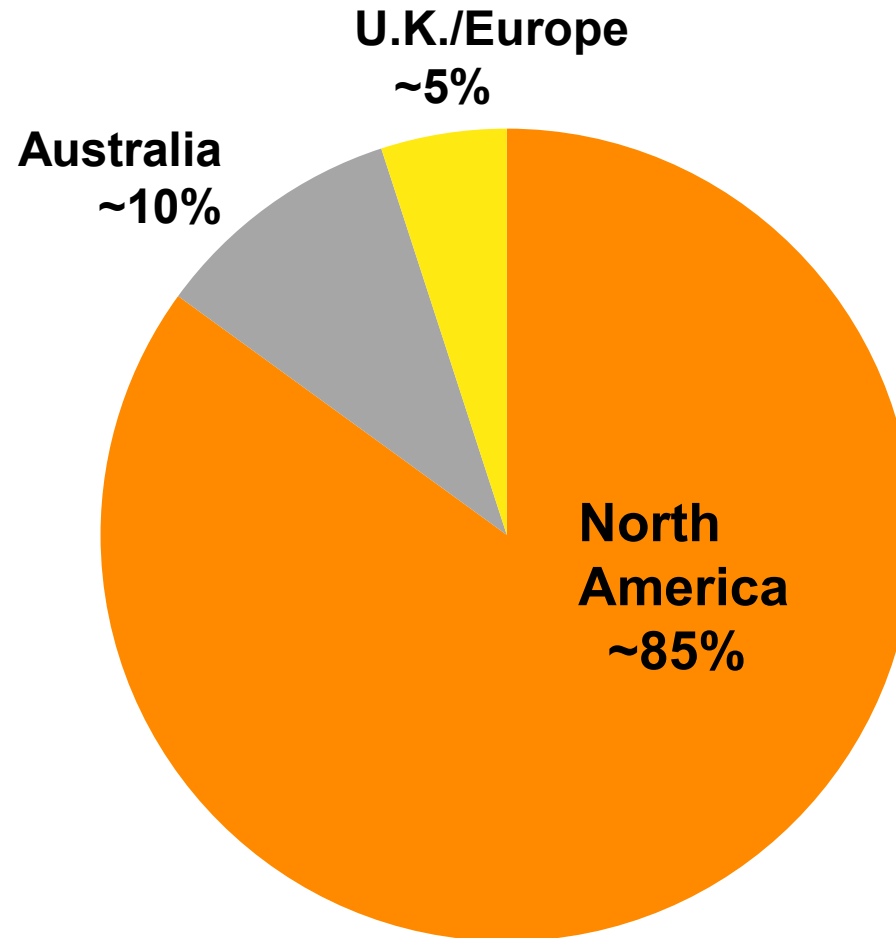
Australia (51% owned)



UK/ Europe

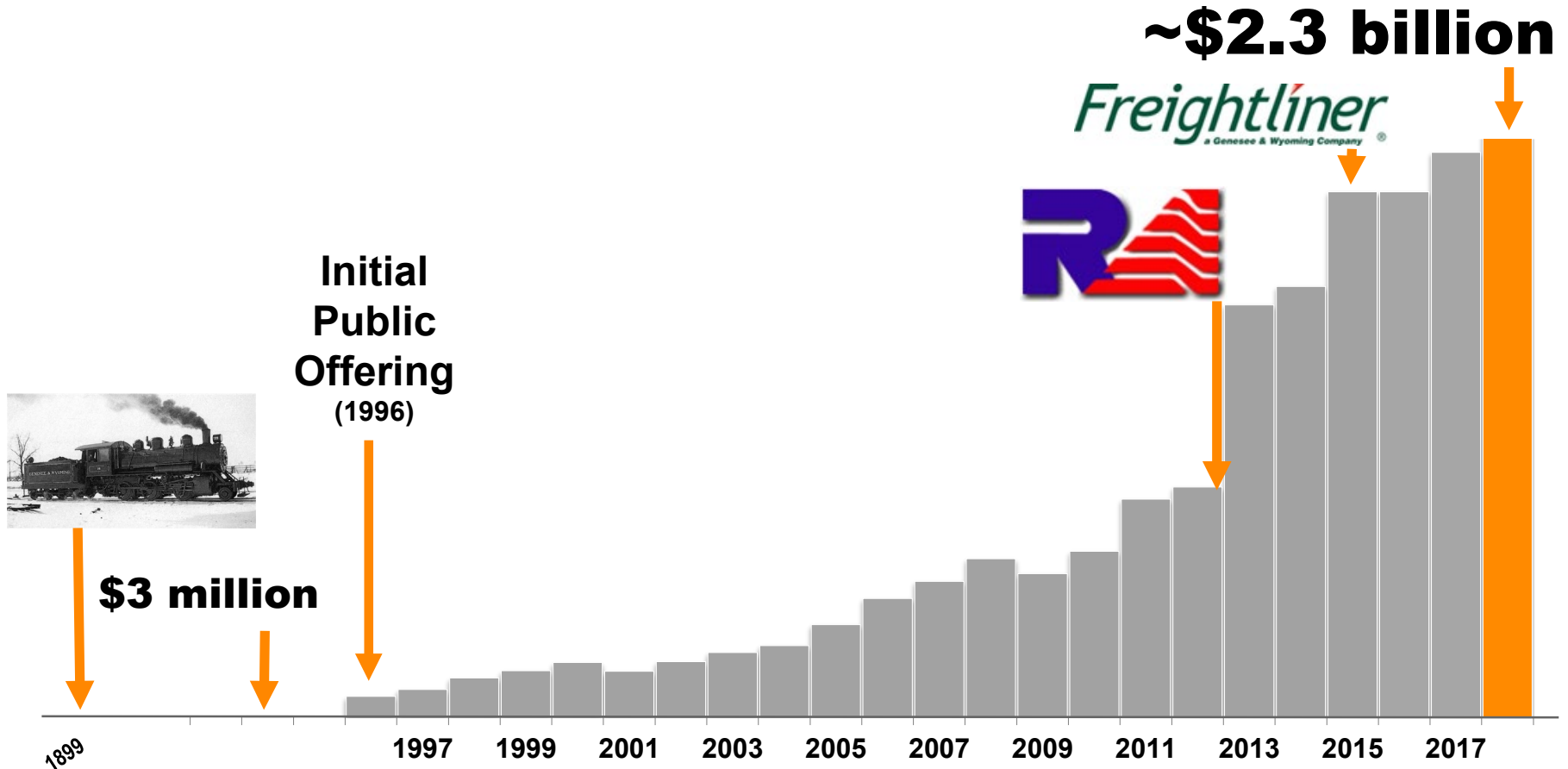


G&W Operating Income by Segment



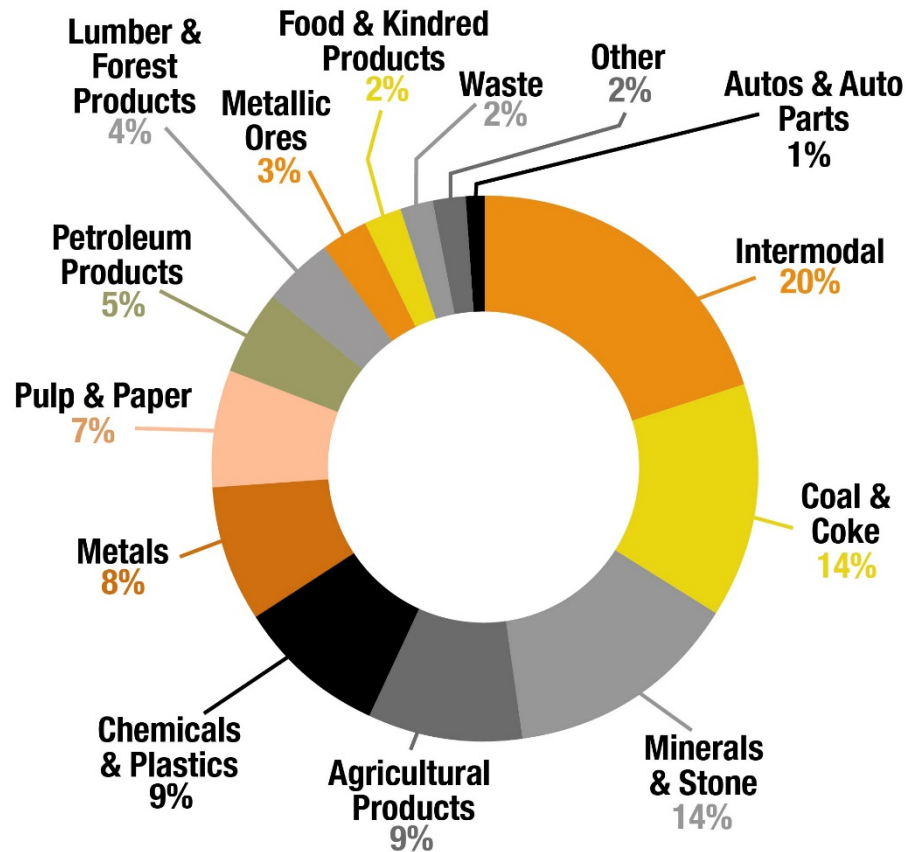
Consistent Long-Term Growth

17% Revenue CAGR since IPO

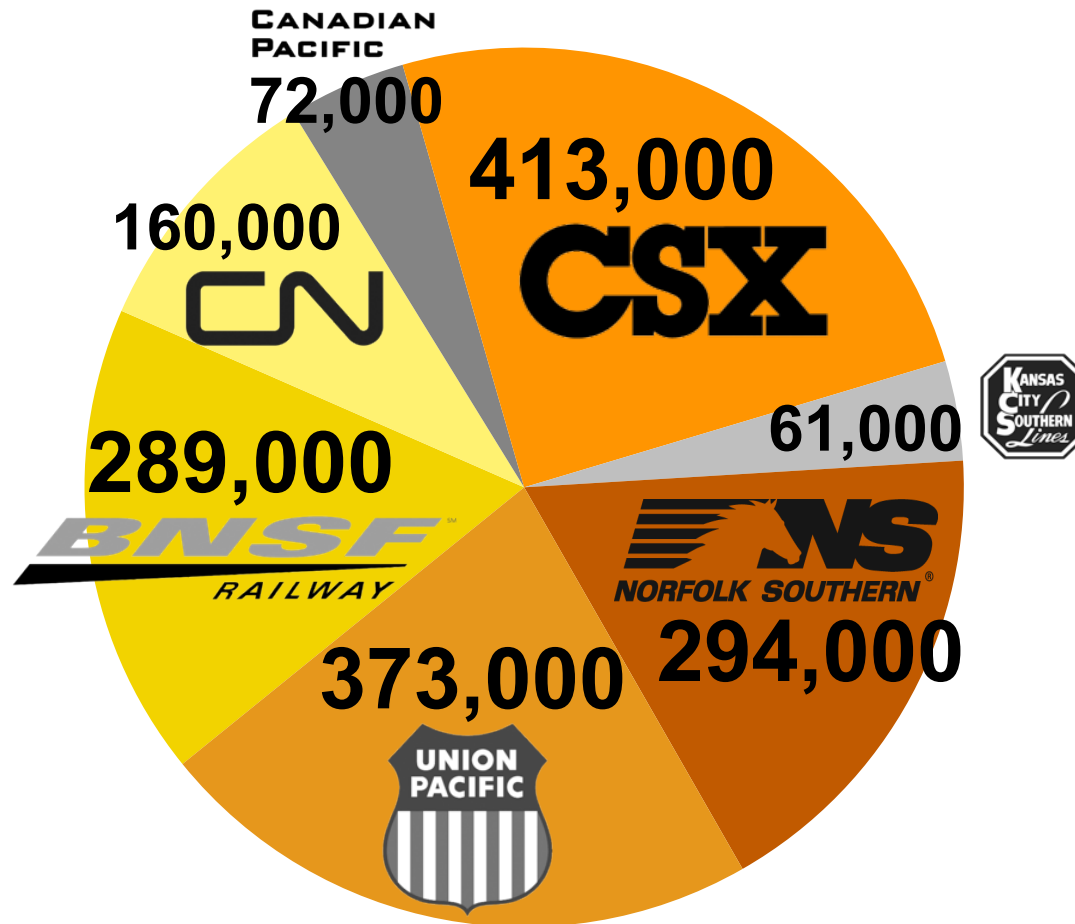


Revenue Diversity

- 2018 Total G&W Freight Revenue by Commodity

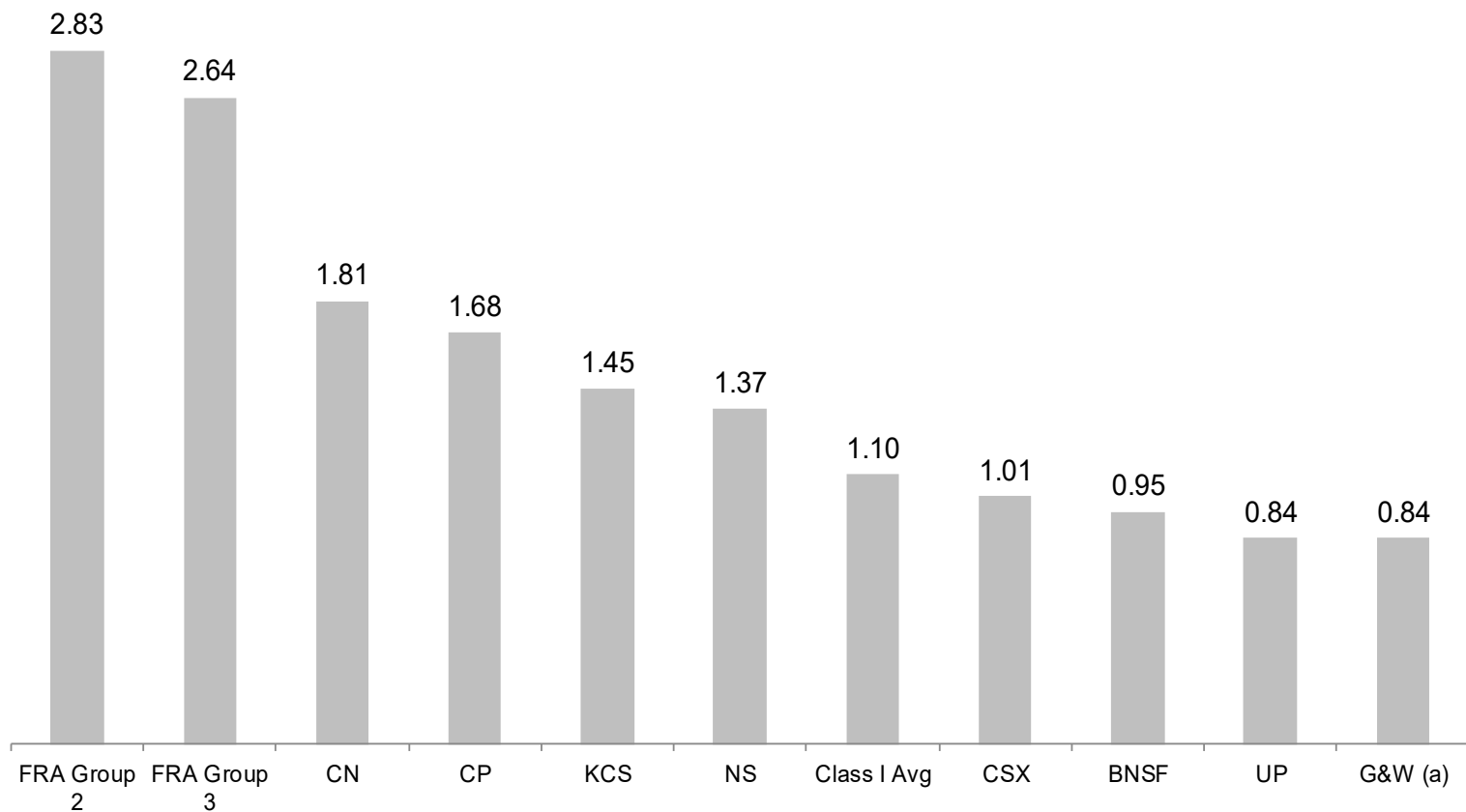


2018: 1.7 Million Carloads Interchanged



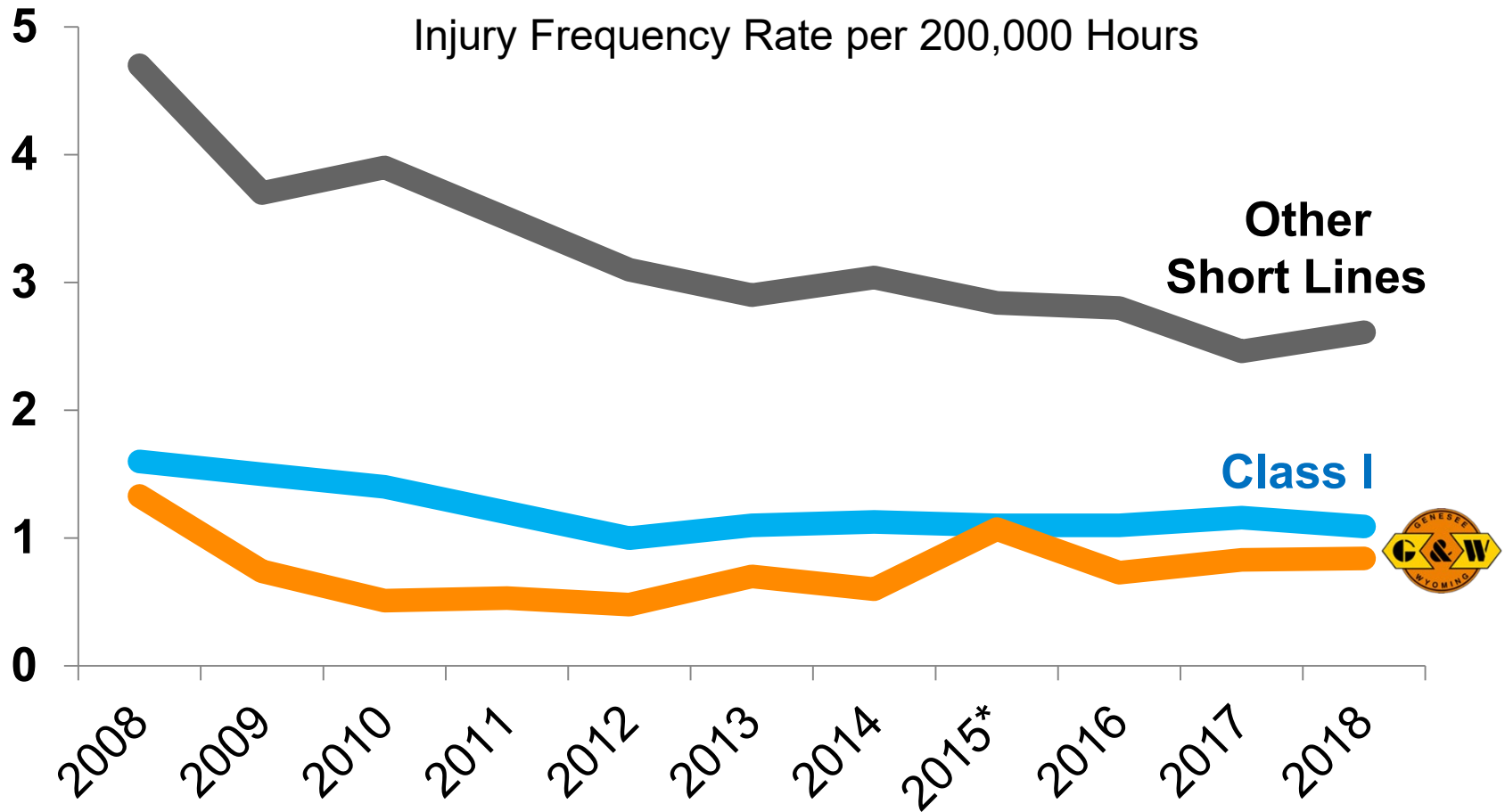
Rail Industry Safety Performance – 2018

Injury Frequency Rate per 200,000 man-hours



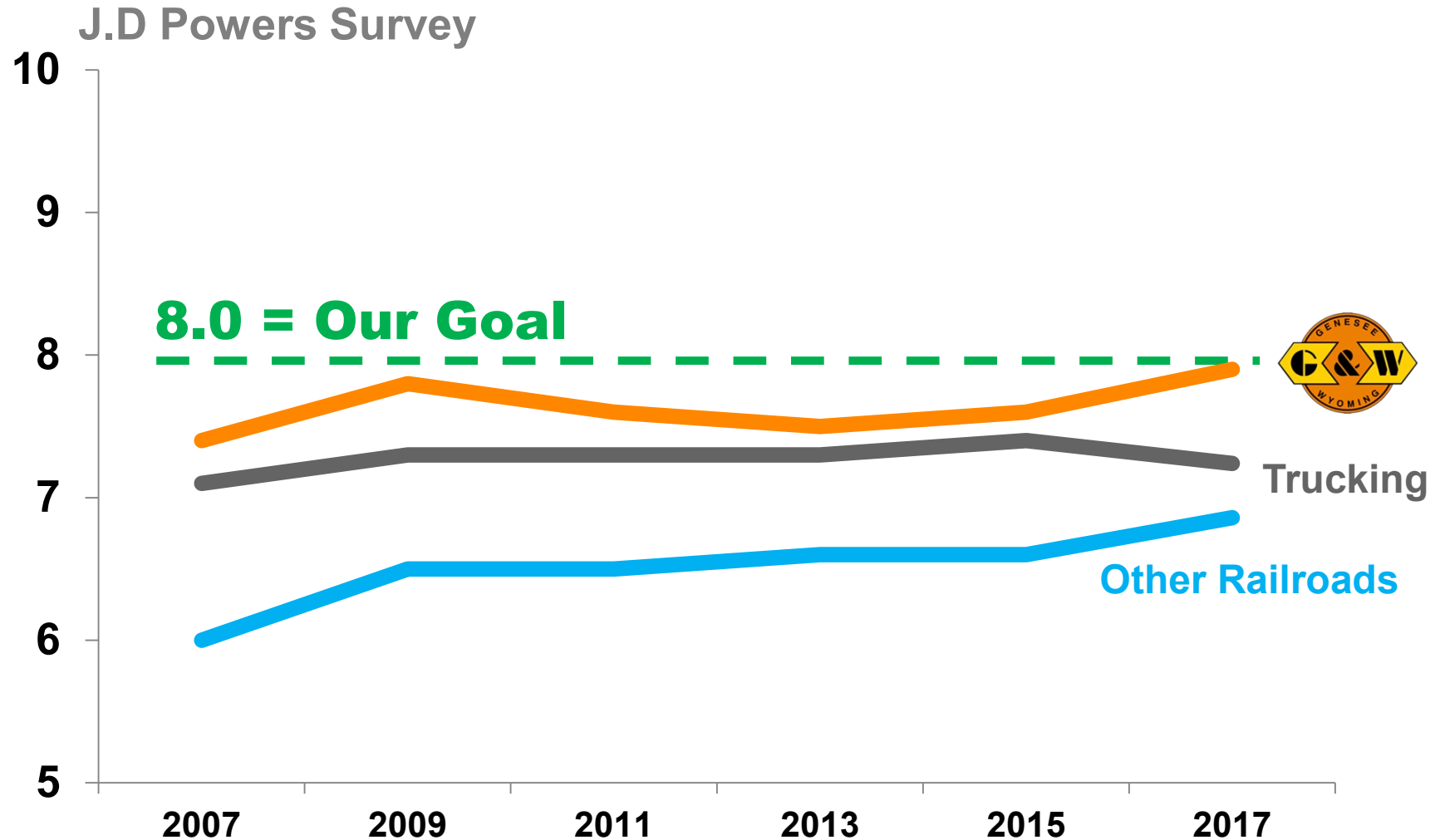
(a) G&W includes rail, terminals and trucking businesses.

Industry-Leading Safety Performance



* G&W results include April 2015 acquisition of Freightliner Group

Industry-Leading Customer Satisfaction



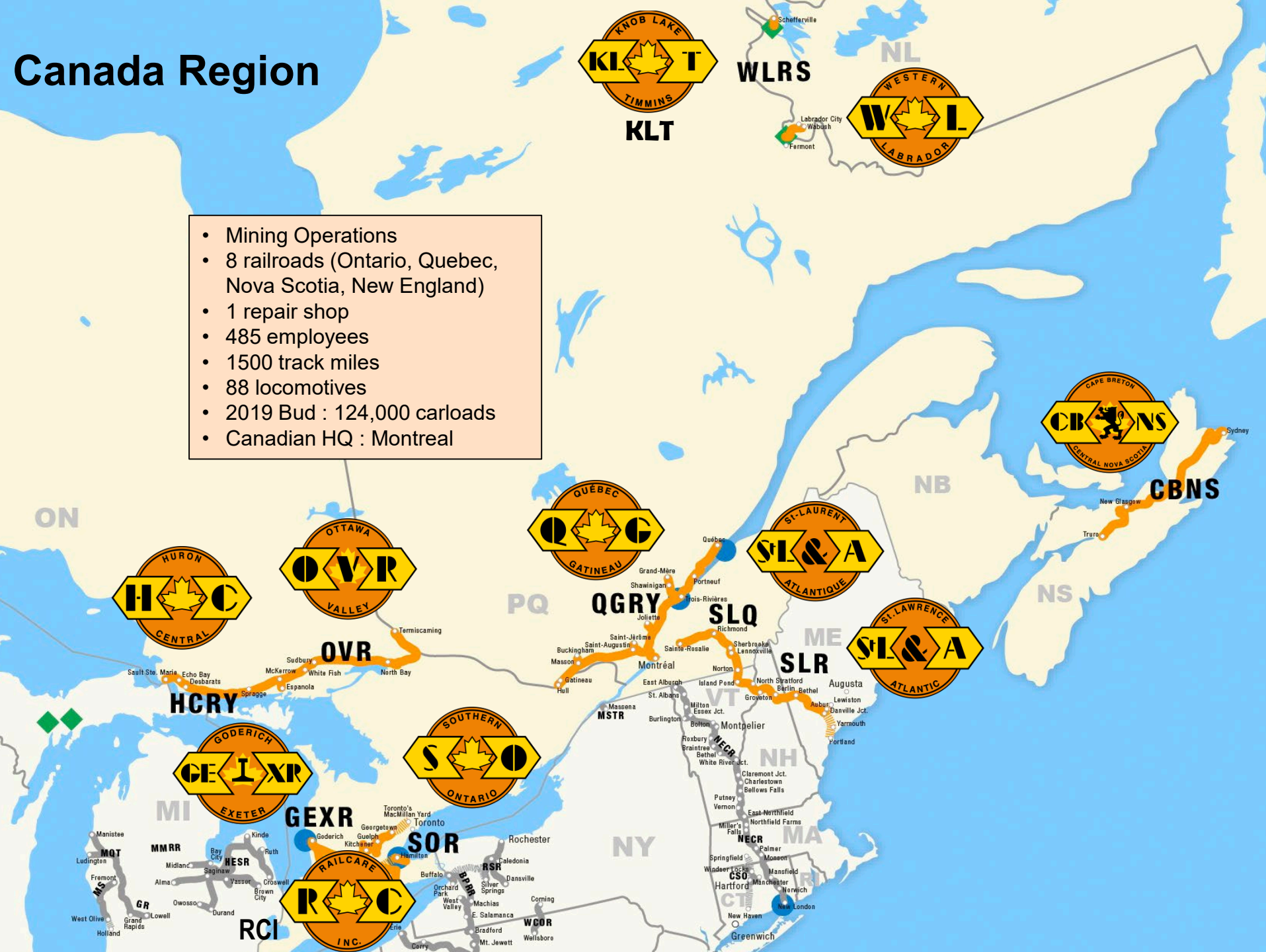
G&W Commitment to Long-Term Infrastructure



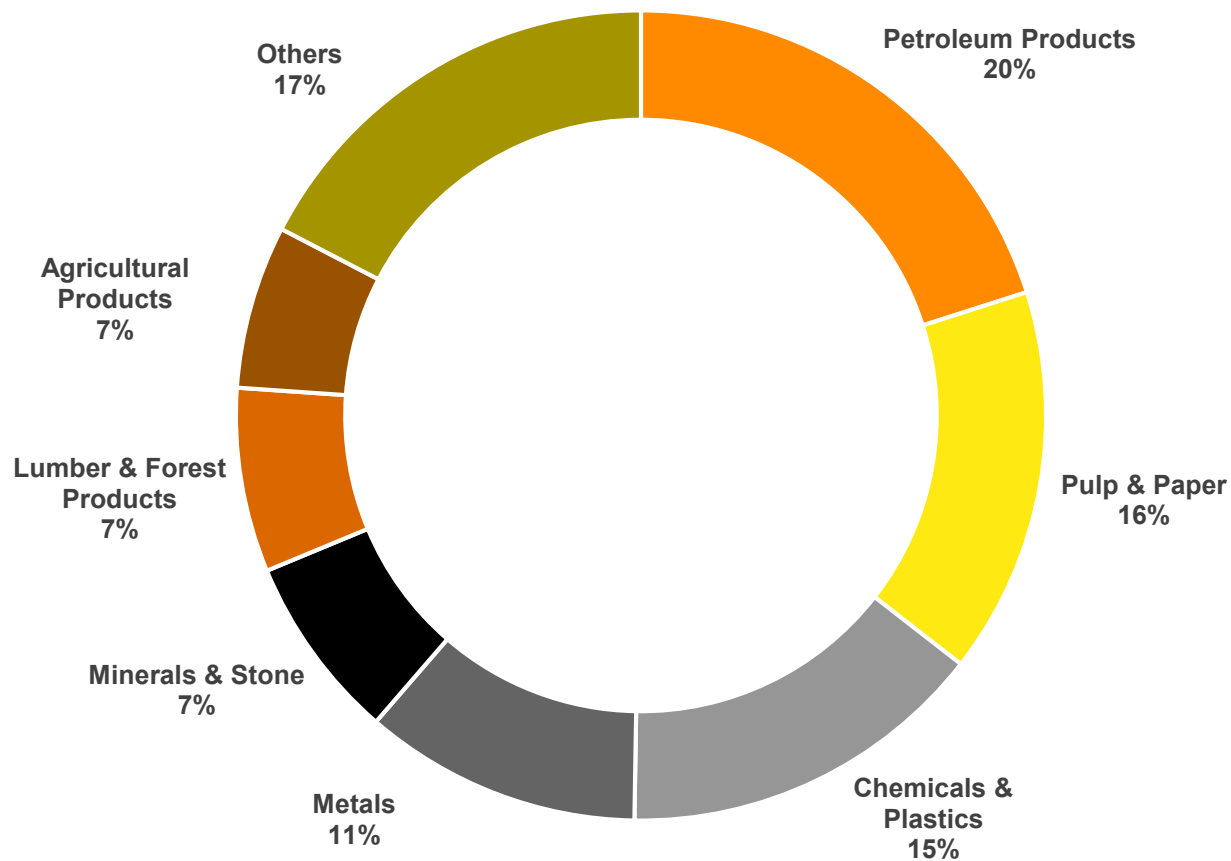
More than **\$1.7 billion**
gross capital investment
since 2010

Canada Region

- Mining Operations
- 8 railroads (Ontario, Quebec, Nova Scotia, New England)
- 1 repair shop
- 485 employees
- 1500 track miles
- 88 locomotives
- 2019 Bud : 124,000 carloads
- Canadian HQ : Montreal



GWCI – 2018 Volume by Markets



First mile / last mile reality

Cost

- More switching
- More fuel consumption/mile
- More resources/mile
- Less economy of scale
- High fixed cost structure
- Highly regulated environment

Revenue

- Customers “owned” by the Class 1’s
- Seldom involved in the commercial discussions
- Limited price flexibility – haulage rates
- Fuel cost never fully recuperated
- Shorter/lighter trains than Class 1’s

Infrastructure

- Limited access to equipment
- Older & less performant locomotive fleet
- Climate change accelerates infrastructure aging – will carry a burden on future cost

From Shortline reality to Challenges

- Class 1’s sold their less profitable lines to Short line Operators
- Short lines compete with the subsidized trucking industry
- No targeted funding programs to support short lines (as opposed to the US)
- Operating Ratio : Short lines > 85% VS Class 1’s < 65%
- Less profitability = less Capital to re invest = dependency to subsidies
- Less Capital to re invest = deterioration of infrastructure = impact on Opex
- Deterioration of infrastructure = threat to safety
- Threat to safety = impact on customer satisfaction = threat to long term survival



**Zero
Injuries**

Our Goal Every Day