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Transcript

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Corporate Participants:

Nadeem Velani –Executive Vice-President & Chief Financial Officer, Canadian Pacific

Other Participants:

Fadi Chamoun – Analyst, BMO Capital Markets

QUESTION AND ANSWER SECTION

Fadi Chamoun
Analyst, BMO Capital Markets
Okay. Good morning, everyone, and thanks for attending our ESG and Growth Conference here. We are very happy to be hosting CP Rail presented by CFO, Nadeem Velani. The way this is going to go, Nadeem will make some brief remarks, state of the union kind of remarks for us and then we'll go into Q&A session which I will moderate. There is a way for you audience to kind of put your questions to us and I'll make sure to flip those questions on to Nadeem. As much as I can, I will go through most of these questions.

So with that, Nadeem, the floor is yours.

Nadeem Velani
Executive Vice-President and CFO, Canadian Pacific
Thank you. Good morning, Fadi, and good morning to all those online. Appreciate you joining us and appreciate the opportunity to be here with BMO at the ESG Conference. So, let me just first start by thanking our 12,000 strong CP family and the work they put in day, day out to drive CP forward for our customers, the communities we operate in and our shareholders.

To me, the culture at CP and the development of our people are our most important asset and our people are in fact our greatest asset that we have. I'm proud to chair our diversity and leadership development steering committee which I believe will help enable our success for many years to come. I think the unique culture is what I believe truly sets us apart and a key component of our success and will continue to be for years to come.

In terms of a business update, I am quite pleased with how the fourth quarter is unfolding. Volumes continue to track ahead of our expectations with RTMs now positive for the quarter. November results were very strong again as we continue to be disciplined on the cost side. Our weights, train lengths and crew cost per 1,000 GTMs are all trending extremely well. We are set up to have the best fourth quarter operating ratio in the history of the company which is a pretty proud moment given we're in the midst of a pandemic.

Last week, we announced that Hapag-Lloyd will begin regularly calling on the Port of Saint John in 2021. This is an important step in building that port into a world-class gateway and we are truly excited. Our 200-mile route advantage in the Montreal, Toronto and Chicago provides a compelling value proposition for our customers. And it's just the beginning for that port and CP's East Coast advantage.

We've now also started moving volumes for Maersk ahead of the original start date of March 1, 2021. That agreement with Maersk and the transload that will come online in the back half of 2021 in Vancouver is an excellent example of our innovative solutions that will take thousands of trucks off the road while growing our business. The facility will enable our customers to reduce our – their carbon footprint while they enjoy our fast, reliable service.

The diluent recovery unit project in Hardisty continues to advance and will come online in the back half of next year. It's another strong business opportunity. That is also another ESG story. That facility will

enable us to move 30% more crude with each train reducing emissions 30% versus conventional crude by rail. And it improves safety by turning the product into a non-hazmat commodity.

Running a PSR railroad and ESG are not mutually exclusive. They go hand-in-hand. Rail has a powerful role to play as we move towards a less carbon-intensive economy. And while there's obviously a lot of focus on the environmental, CP has a strong story to tell on the social and governance side as well. I spoke earlier about our focus on developing people. From a safety standpoint, we've been the safest railroad in North America the last 14 years and we're on track this year to improve our train accident ratios yet again. Our scores across the various ESG rating agencies have shown great improvement, and recently we are proud to be named to the Dow Jones Sustainability Index in North America. And in fact just this morning CDP came out with their 2020 scores and we've been awarded a score of A-. CDP has specifically highlighted our leadership and progress in this space with a spotlight story on CP and how we've gone about improving our score.

So we've been creating a tremendous amount of success on the ESG front as well by traditional measures. We'll end this year leading the industry in volumes, operating ratio, earnings growth and again most importantly safety. We're extremely proud of the results this industry best team of railroaders continues to produce and how we go about achieving that success.

Fadi, there is a lot of exciting opportunities in 2021 and beyond. We've created a lot of success and the rest assured there's definitely more to come. So, I'm extremely excited if you can tell about what the future holds. And with that, I'll turn it over to you to start the Q&A.

<Q – Fadi Chamoun>: Okay. That's a great introduction, Nadeem. Appreciate it. I'm going to start with some kind of ESG environmental related question given the theme of this conference obviously, and then we'll go into some business-related questions obviously. Maybe the first one, I'm not sure if you guys have a greenhouse gas emission target already out there. If you do, what is it? And if you don't, are you aiming to have one?

<A – Nadeem Velani>: It's something that we continue to push forward as far as what our targets are. As far as our emissions reduction targets, we have committed to reducing that. And if you think about our business, greater than 90% of our Scope 1 emissions are from locomotives. We have a long history of focusing in – on improving fuel efficiency. Since 1990, we've improved our fuel efficiency about 43% and avoided 31 million metric tons of GHG emissions. Our fuel efficiency is 14% better than the Class 1 average and it's an ongoing area of focus for improvement.

This July, we released our climate change statement. We acknowledge the effect of climate change, our ongoing efforts to mitigate that impact. In this past year, we completed a full inventory of Scope 1, 2, and 3 emissions. So, we're in the process of doing a scenario analysis to understand both the economic and physical impact of climate change on our business and we've committed to setting emission targets, which we'll complete in 2021.

So, it's a very important undertaking, and one we're taking very seriously. So, we're taking our time to be thoughtful about this process and want to understand the outcomes and what it takes to get there before we define those specific targets.

<Q – Fadi Chamoun>: Okay. And maybe kind of follow-up on that comment. What – if you have like two or three technologies, I guess technology has a lot of influence on the environment and emissions and

all of this, like what are the one or two or maybe three things that you feel are going to make a big difference in the next three to five years in terms of your achieving those targets and moving the needle substantially on ESG and emissions.

<A – Nadeem Velani>: Sure. So, let me start. Just here in our head office and our campus here in Calgary, this summer we announced that we're going to introduce a solar farm at our head office. And so the project's well underway. This will reduce our Scope 2 emissions and mean that our head office building will be completely solar powered starting in 2021. So, we're on track to achieve that probably in the first quarter of the year. It's a very modest investment but will yield savings for years to come. And it's resonating with the team here. Certainly having that aspect as another component of what it – what it's like to work at CP as far as driving a change for the better for our communities we operate in and so forth is important to our CP family of railroaders here at our head office as well. And so, we're excited to have that solar-powered head office.

Some of the other things on the technology side, that's, reducing our service interruptions, improving our product for our customers and improving safety. We got some regulatory exemptions with our remote inspection portal and cold wheel technology, which is reducing dwell for our loaded potash trains by up to 4 hours per train and over 5,000 hours annually. And it's a direct emission savings as we don't have to dwell the trains in the yard while they're being inspected. So, these are kind of secondary impacts that when you start looking at it in detail from an ESG lens, you start seeing those benefits as well. And we can also – has an impact on our other fleets as you can turn those assets faster, is they're not waiting in the yard. So, we do have a line of sight to expand that technology to other lines of business and other opportunities. And one of the things that we're also looking at is alternative fuels, renewable fuels for locomotives. So it's an early age – early days on that front. But it's an exciting opportunity that we're delving into as we speak.

<Q – Fadi Chamoun>: Which exactly are you evaluating on the locomotive side in terms of alternative technology and which technology you think shows kind of most promise potentially to displace diesel?

<A – Nadeem Velani>: Well, I mean, we've looked at in the past. We've done some assessment of LNG. We're exploring hydrogen to an extent and so not to get too much into the details of it. I'd just say that it's something that we're starting to delve into and see what the art of the possible is on that front.

<Q – Fadi Chamoun>: Okay. But, I guess all that sounds still many years away in terms of practical commercial application of these things?

<A – Nadeem Velani>: Yes. Yes, absolutely. But, you've got to start somewhere. And I think hydrogen is an area that's getting – seeing use in passenger and in some spaces in Europe. It's something that is becoming more and more important. I know here in Alberta the province is starting to focus on the commercial viability of diversifying and having a more ESG-friendly economy and so we're exploring what that could look like.

<Q – Fadi Chamoun>: Okay. And maybe as a segue into kind of the business questions. Is ESG becoming a factor in the commercial strategy like are customers of CP putting more value on the rail mode of transportation versus trucking? Are you feeling that this is becoming an important factor in the commercial strategy that could be potentially positive in the next few years as people kind of focus on

reducing their emissions and ultimately moving some freight off the highway into rails? Are you seeing that with customers? Is there tangible evidence of that already in the market?

<A – Nadeem Velani>: Yes, absolutely. It's growing and it's growing very fast. I mean, and the supply chain and the impact that it has on emissions and environmental footprints is pretty significant. And each of our customers are looking at ways that they can drive value and that they can reduce their footprint.

It's growing very fast in terms of dialogue with customers. And our Chief Marketing Officer, John Brooks, it's another tool that that he uses as far as driving that truck to rail conversion discussion and educating our customers on the benefits. I mean, a lot of this is quantifying it, kind of having those real conversations and what the benefits look like on top of the broader benefits of better service.

Each February we have a customer advisory council. And this year we had a focus session on ESG and the benefits of rail. So, I think our customers are in some cases driving that discussion, and in other cases we're driving it with them as far as education and so forth. Our sourcing team is – gets a lot of requests as far as how our rail product impacts the supply chain and our customers' sourcing groups are having the same dialogues with us. And so I think it's just at the start of a trend that's going to be growing. And if you look at some of our recent announcements, so Maersk, the example of how we leveraged our land and turned that into an innovative proposal to work with a partner and find a solution that takes the strengths that we have in our network, our land bank and create an opportunity to not only have a better service but also to have the secondary benefits of reducing emissions.

So, when we think of our transload strategy and look at how we're growing in the future, a big part of it is to take trucks off the road and giving customers that option to make a rail-friendly part of their supply chain their transportation product, it's really starting to resonate. And the great thing about that is you can leverage that to have a total product solution as opposed to having the pricing discussions. So, I think it is greater value than just the rail piece.

<Q – Fadi Chamoun>: Okay. So, moving on a little bit to kind of the outlook and some of the business question that we have on – in mind. So you've outperformed quite well relative to the industry since 2018. I guess 2019 was a pretty tough year for the industry with industrial slowdown and then obviously COVID and the pandemic made that hole a lot deeper, but we seem to be coming out of that. But over that timeframe, you're tracking down 2% maybe versus 2018, industry is 15% down versus 2018 and I think you have some segments of your market that have done really well, the ag markets and some of the fertilizer market, too. And I think from a cyclical perspective, I think there is an idea here that as we go into the next 12-18 months, you won't see the bounce from a cyclical recovery that the rest of the industry might see because you've really gone through this a lot better and ultimately you have exposure to some of these more stable markets. So, I just want to discuss with you where do you see your outlook in the next, say, 12-18 months, even 24 months, what are the CP-specific opportunities and – that are unique to you? You've talked about Maersk, the new service in Saint John. How should we think about kind of your CP-specific growth opportunities going into 2021 specifically I guess?

<A – Nadeem Velani>: Sure. So, great question. When we look at our business and our unique strengths, we look at a few – from a few different lens. So, yes, absolutely we still have – 40% of our volumes are bulk. And that's not a bad thing. As we've seen in this pandemic, and we've seen grain continue to see greater yields and greater crop sizes, I think this year this crop year is still on track to be a historical

record, something in the potentially 80 million metric ton type of crop. What also excites me is the – on the US grain side. So, that's been an area that hasn't seen the sort of volumes that we would expect. And it's being impacted by some of the trade policies in the US and some of the challenges as far as relationships on trade fronts, and export US grain has not been – seen strength over the last several years. We're starting to see that strength, and we're starting to get excited about what that could mean for our franchise, something that's sometimes overlooked as far as what that means to our overall volumes, which I think is positive going into 2021.

Certainly, on the potash side, and what we've seen with this pandemic is the food supply chain, the importance of that. We continue to see a growing middle class in other parts of the world that are driving greater demand for food products and for ultimately potash. We've been – we had a new K+S mine that we started servicing two years ago that is starting to see – continue to see volumes improve. So, as we think about our bulk franchise, I think we still have excitement over it. We have potentially a new coal mine with Riversdale Coal in Southern Alberta that could come online in call it 2024 type of timeframe. So, the outlook I think is still very strong from a bulk point of view.

If we think of what we've done as far as, as you pointed out the last three years outperforming the company on growth, a lot of it has been kind of self-help. So, the transloads that I talked about, repatriating traffic that we believe should naturally be ours given our service, repatriating traffic from truck. The transload part of that supply chain is an important one. And we'd been investing in transloads in Chicago, in Toronto, Southern Ontario, Montreal, Vancouver, parts of our – the Midwest as well in the US. So, that's part of the story I think that will continue to play out over the next several years. We talked about our real estate holdings and what that could do to continue to grow outsized growth for CP and our franchise. You mentioned the Maersk transload that starts up in next year. We also have on the international side new market share wins with Maersk that will begin in 2021.

So these are all drivers for what we think is outsized growth on the international side. From an acquisition point of view, the CMQ, we think that was a $40 million USD revenue line that we think we can more than double. We talked about Hapag-Lloyd putting their flag at Port of Saint John next year. So, that's going to help us with outsized growth as well on the international side.

When we look at some of our merchandise traffic Inter Pipeline a new polypropylene facility that we announced a few years ago, that's on track to open up next year to get online. And that certainly is a – make sure I haven’t lost you. Okay. Sorry, my computer kind of froze for a moment. That's something that we see – start seeing the volumes picking up or starting up late next year. That's going to help our merchandise growth.

The Hardisty facility for diluent recovery unit is going to take away some of the variability in crude, and as I said make a more sustainable kind of product output out of that facility. It's going to bolster our overall merchandise volumes as well. So, we're quite excited as to what the pipeline of initiatives are in front of us. Our auto strategy, we're growing auto volumes in excess of 20%. And that's being driven by market share gains with – versus our competitor with Glovis and Kia Hyundai and FCA moving volumes. We still see some more opportunities as well from some other manufacturers.

So to your original question, we have a pipeline of initiatives that I think is going to continue to fuel our outpacing of the industry from a volume perspective. And we're going to take that on in a low

incremental cost and we'll have the lowest operating ratio in the industry this year. And I completely see line of sight to continue to improve the operating ratio. I think, it sets us up very well heading into 2021.

<Q – Fadi Chamoun>: Okay. That's great. So if I look back, your pipeline of opportunity of your company, CP-specific opportunities seem continued to build here. If I look back at 2017-2018, coming into a economic recovery, which we hope to get that in the next couple of years, you've grown volume mid to high-single digits.

And now going into the next two years seems like your bulk franchise is in a good position. Your – is that the right way to think about your volume growth for the next couple of years? What would get you to the high-single digit? What would need to happen to get to the high-single digit? It seems like with an economic growth picture and some of your own opportunities, mid-single digit seems like a very attainable target at this point. What needs to happen to get beyond that?

<A – Nadeem Velani>: Sure. So I think in the near term, obviously, once we get out of this pandemic and we start seeing some of the lockdowns and some of the instances where we've seen self-isolation cases and shutdown of manufacturing or the supply chain, I think we need to get past that number one, near-term over the next short-term period Q1 and hopefully the vaccine distribution and so forth will create a much more stable environment on that front.

So if we see the macro recovery that we're seeing so far, again the retailers and the domestic intermodal has never moved as much. Gives us line of sight of what we see from a consumer point of view. I think on – from that perspective, 2021, I think we feel good that we can probably be at that upper end of what you described. So potentially closer to high single-digits. And if you think about what I described, some of these initiatives, they're late 2021 into 2022 type of initiatives.

If we start seeing those continue to hit and we start seeing our transloads drive the sort of volumes we expect from them, I think a sustainable mid-single-digit type of volume outlook over the medium term is completely possible. So I think as far as what we would need to get on that upper end, I think things like crude being stable and starting to see some of the production ramp-up and continue to see the Canadian ports win share from the US ports on the intermodal side. I think that will be an important driver of volume for both Canadian railroads. And if you can continue to see that that growth, I think that will allow us to get potentially closer to the higher-single digit.

<Q – Fadi Chamoun>: Okay. Just to clarify. You're assuming the crude by rail business is stable in that high-single digit potentially going into next year right?

<A – Nadeem Velani>: Right. Yeah. It is tough to give an outlook on crude by rail at this point beyond...

<Q – Fadi Chamoun>: Yeah. I know, I know, okay, okay. Awesome. The other point is I wanted to ask you about the service you announced with Hapag into Saint. John. There's two things about that I wanted to ask you. First, is that service incremental to what you already do in Montreal or if they're kind of split the service between Montreal and Saint. John? And is that service coming into Saint. John, do you know whether the origination of that traffic is Asia, or is that Europe, or is it – where is it coming from and to Saint. John and whether if this is a US destined or Canadian market or a mix of both?

<A – Nadeem Velani>: Sure. It's transatlantic. It's their transatlantic service. And it's coming out of combination of Halifax, New York, New Jersey. As far as where it's going, you can expect there'll be a

combination of mix of Canada/US. I don't want to break down further than that. It's a bit early for me to give you that visibility, but you can assume combination of both.

<Q – Fadi Chamoun>: Okay. Pricing environment. I'm suspecting things are getting better now with demand improving, the truck market being somewhat tight even in Canada. Are you starting to see that pricing creep up at this point? And what's your thought on that going into 2021? So we know RTMs will be hopefully very strong. What's the pricing per RTM potentially looking like?

<A – Nadeem Velani>: Sure. So pricing, I'm as bullish from a pricing point of view as I've been in probably 18 months to what you described as far as capacity tightening. And I think the trucking market, I think, the rail capacity that's also tightening in some of our key competitive lanes. And I think our service and reliability that we price to all have a role to play into that bullishness. So I think that pricing is going to be a strong driver of value creation over the short to medium term.

From a yield point of view, mix is always going to play a role depending on where the volumes are coming from. So near term, we're moving a lot more potash a bit – a little bit more crude – or coal, I should say, that are typically negative from a mix perspective overall. But nothing material. So could we see negative mix of 1% or so? Yes, but nothing beyond that at this point, so....

<Q – Fadi Chamoun>: Okay. Is that – was that a reference to 2021? The mix part?

<A – Nadeem Velani>: Yes. Yes.

<Q – Fadi Chamoun>: Okay. Okay. That's great. And so, from an incremental point of view, you've mentioned in your prepared remarks the strong incremental fourth quarter record OR. Are we thinking potentially going back to these mid to high 60 incrementals even, I think, you've had few quarter where you were higher than that.

As we go into a revenue growth picture now, going into Q4 and if I look at the Q4 versus Q3, the growth looks pretty strong from an RTM perspective and ultimately revenue perspective. Any surprises on the cost side, like how should we think about that incremental? Is it going back to those high 60%, low 70% that we've been accustomed to before?

<A – Nadeem Velani>: Yeah. I think when we look at our incrementals we strip out the impact of depreciation, fuel surcharge, stockbased comp. That can create some noise quarter-to-quarter. And certainly, given our stock performance, the last three years has been very consistent outpacing the industry. And this year we've got – when we mark-to-market our stock price, it does create a headwind as far as stock-based comp.

So good problems to have. Our shareholders aren't too upset on that front at all. In this environment, we're surprising on the upside as far as our cost performance, because it's driven by our service and the network running extremely well. Last year we – Mark Redd took over as our new Head of Operations post the retirement of Robert Johnson, and Mark brought his new perspective to how we run our railroad. We put new operating leaders in the western region, in the southern region, the eastern region with Tracy Miller and Greg Squires.

And it's part of our culture of continuous improvement and how our constructive tension as far as pushing the organization to get the most out of one another to drive continuous results. And so each of these leaders have put their stamp on their territories and finding new opportunities. Again, starts with

service but better service drives better cost. Working with Mike Foran, who runs our Asset Management Group and Market Strategy Group, working with John Brooks on the Commercial side, the collaboration that we see from the team is driving basically bringing on volumes at a very low incremental cost.

So I think 75% type of incrementals over time is the right kind of number of where we think we should be able to drive value and drive the operation. And so that's what I would expect. This quarter, are we doing better than that? I'd say yes, given volumes have inflected positive. We've seen upside surprise on volumes recovering faster than we expected.

And we've seen the service very strong. And weather does help in this time of year and we're not seeing much of a challenge on the weather side. It's 14 degrees here in Calgary today. Winter will come. It always does. But we're seeing the benefits near term of that as well.

<Q – Fadi Chamoun>: Okay. And just again for clarity, that incremental margin is ex-stock-based comps and D&A, right?

<A – Nadeem Velani>: Yeah, and fuel surcharge, the impact which can be positive or negative.

<Q – Fadi Chamoun>: Okay. And sequentially, Q4 versus Q3, those are not moving materially the stock-based comp or the D&A?

<A – Nadeem Velani>: No, no. Not at all.

<Q – Fadi Chamoun>: Okay. Great. So maybe one more question on those incrementals. Like going into 2020, given that all mix of traffic that you see coming at you, does that apply to 2021 as well the incremental that you expect to see? I'm guessing at high-single digit RTMs, you probably have a path to get to the mid-50-ish OR potentially going into next year. Is there anything in the mix that would prevent that from happening?

<A – Nadeem Velani>: No. I would say that, without giving you guidance here in December, I'd say that we've talked previously that we'll end this year with the operating ratio in the 57s. We get paid to continue to improve. If everything I just described as far as the team and the accountability that we have, we should improve that OR, pricing, volume, take – bringing these – the volumes on at a low incremental cost, you should see the operating ratio continue to improve.

Do I think we're going to have a 55% OR next year? Probably not. Do I think it's going to be below 57%? Yes. So somewhere in that. To me that's mid-50s. And longer term, over 2022, 2023, can we get closer to that 55% or better? I have the utmost confidence that we'll continue to drive the OR lower. We don't get paid to see that standstill, and we don't run our business with the mindset of seeing that deteriorate whatsoever. So I think that's what differentiates us certainly in the Canadian railroad landscape.

<Q – Fadi Chamoun>: Okay. And Nadeem, your franchise is bulk heavy. Some of these underlying markets like grain and coal and fertilizer, do they tend to grow less than the consumer end market and maybe even the industrial end market? The CMQ acquisition obviously in the east gave you a lot more runway and opportunities to grow in those more consumer end markets, industrial end markets. Are there other opportunities like this that could diversify the CP network more into those maybe higher growth end markets as you go into the next three to five years? Is there opportunities like that that you're looking at that could take you to into those end markets in a bigger way than you already are?

<A – Nadeem Velani>: Yeah. We do want to grow the network where it fits. We're not going to invest in trucking or intermodal plays. We partner with – we have very strong partners that are experts in running those types of operations. And so we'll leave that to them and we partner closely.

Short lines, kind of rail continuous – contiguous kind of networks to ours is – is attractive. The problem is there's not a lot of them out there. And some of the multiples and some of the prices you have to take, it has to be pretty compelling fit to support our growth strategy or allow us to improve the cost structure to make it work. So we're always on the lookout. There's just limited opportunities near term.

So it's something that we've worked hard to get your balance sheet in a position that we can take advantage of these opportunities if they come up. So that's kind of where we're at today. We'll continue to keep our eyes out.

<Q – Fadi Chamoun>: Okay. And as a follow-on like, are there commercial agreements, opportunities to, I guess, partner with other Class 1 railroad that could remove friction from the rail network and potentially enable growth in a bigger way. Are these things that you're looking at right now?

<A – Nadeem Velani>: Well, one of the positive outcomes of the PSR export to the US railroads has been that mindset has changed as far as like-minded operators that see the benefits of PSR. And that's allowed us to work with our peers in the US space to collaborate and find more growth opportunities.

So each of the railroads in the US, we have very positive discussions and look at it from how can we both grow, get win-win opportunities for both the networks for our customers and for our shareholders. So I think this has been a – I've never seen it so collaborative on that front as far as working together to drive volume growth. And we've had some challenges whether it's from the macro economy or the pandemic that hasn't allowed us to realize the fruits of that yet fully, but more and more, that's an area I think that excites me in the future years.

<Q – Fadi Chamoun>: Okay. So can we maybe just touch base quickly on the network capacity, the outlook for CapEx. We're talking about continuation of really strong growth here. And where do you stand in terms of locomotives that you still have in storage that you can bring into service as you ramp up the volume in the next couple of years? Are there investments you need to do in the network in order to accommodate that growth? How should we think about CapEx? And specifically, when does the grain hopper car investments start to come off completely?

<A – Nadeem Velani>: Sure. So a couple of things on CapEx. This year, we'll have our record CapEx spend, $1.65 billion. And that was intentional. We wanted to take advantage of some of the network opportunities with reduced volumes to get more efficient with our capital investment and capital spend, investing in our network, investing in sidings, advancing – investing in rail capacity that allows us to move products safer and more efficiently, has the benefits of moving the assets faster, increasing our network speed and so forth.

So we've had a very effective program in the spring and into the summer to take advantage of that network access and downtime on the railroad. Going forward, I would expect our CapEx to decrease. Heading into 2021, I think you'll see us more in that $1.5 billion, $1.55 billion type of range, so reduction, because of the pull forward of CapEx that we did this year.

We have two more years of the hopper cars. 2021, 2022 we'll complete that program. And we'll see, maybe there'll be another opportunity to continue to invest in hopper cars as we've seen grain volumes continue to increase and we've seen the returns on that investment to be very strong.

So overall, CapEx, as we exit that 2021/2022 period of the hopper cars, that's about $100 million, $150 million of CapEx that should disappear. We have been – when we think about our CapEx, we look at it on a multiyear period. So we've been investing in our locomotive modernization program, so not buying new locomotives but retrofitting some the existing SD40s that we've had on our network and availability that we've had in the marketplace.

We've just looked at acquiring some more of those that will position us well as far as the growth that we see that we've talked about this mid-single digit sustainable RTM growth on the – for the long term. So I don't think we're going to need new locomotives beyond our modernization program for at least three years. So I think we're in very good shape from an asset point of view, from a network point of view. And it's helping support our return on invested capital that is approaching 17%.

<Q – Fadi Chamoun>: Okay. That's great. We have one more minute left, Nadeem. Any kind of last remarks you want to share with us, anything we didn't ask that you want to share with us on this call?

<A – Nadeem Velani>: I'd say, we're excited for this quarter to come to conclusion as far as what we're going to deliver to the market. I think we're equally as excited at what 2021 is in – what's in store for us and it's going to see more of the same, which is outpacing the industry as far as growth, being the safest railroad in the industry with the lowest operating ratio and the best team of railroaders in North America. So we're excited to – what's in store for the future years as well. So, thank you, Fadi.

<Q – Fadi Chamoun>: Okay. That's great. Thanks, Nadeem. Thanks, everybody, for joining us this morning.