Transcript

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Webcast

Corporate Participants:
Keith Creel – President & Chief Executive Officer, Canadian Pacific Kansas City

Other Participants:
Brian Ossenbeck – Analyst, J.P. Morgan

PRESENTATION

Brian Ossenbeck
Analyst, Barclays

Okay. We're going to go ahead and get started here on day three of the Industrials Conference at J.P. Morgan. Really excited to close out here with CPKC. We have Keith Creel, President and CEO; Chris de Bruyn, VP of IR and Treasury as well.

I'm Brian Ossenbeck, I cover the group for the firm. And we're going to go ahead and just give it over to Keith, make some introductory comments. Got obviously a bunch of questions. Certainly a lot to talk about. We'll try to get it all in in 35 minutes.

But Keith, we appreciate your time being here today with us and what certainly is probably an unprecedented market. But kick it over to you to lead it off.

Keith Creel
President and CEO, Canadian Pacific Kansas City

It seems like we have unprecedented markets every season now. So listen, thanks, Brian. I appreciate the opportunity to come and talk about our CPKC story. It's -- the time is flying by.

It's hard to believe we're approaching our two-year anniversary of our forever company, coming up quick, just a few weeks away, and I'll tell you, I remain impressed and inspired and quite frankly, often really surprised with the tenacity and the impact and the performance of the team overall.

So we're integrating well. That was obviously a lot of risk in the beginning. A lot of the naysayers in the history of our industry did not fare well on the integrations of railroads. So we said we would do it differently, and we are.

We're creating competition, we're driving and creating growth. We're driving investment and we're enabling commerce between our three nations like never before possible. And I would say -- I said then and I'll say today, maybe in a different way, the timing of it never needed more, in all honesty. We closed the quarter out last year, very strong demand. We carried that into this year.

Had a very strong January. Mother Nature came and reminded us that we still are a Canadian company too. Not that we've forgotten that, but the winter has been pretty challenging in Canada in February. But when you manage the network the right way you've got the right team and a bit of resiliency you bounce back fast, which we have.

So there's a little bit of that pent-up demand from February that's carried into March. March is looking extremely good as well. So I expect that with the momentum we have, we're going to close out a strong quarter, which sets us up well to meet or exceed our guidance for the year.

QUESTION AND ANSWER SECTION

<Q – Brian Ossenbeck>: All right, Keith. Well yes, it's hard to believe about two years ago, you were here just having gotten approval for the acquisition. But lots certainly happened since then, of course, we can't really avoid the headlines at this point.

But in terms of just the tariffs and how your customers are planning for adjusting for them, obviously critical pieces of supply chain, autos has kind of been in the front line. So maybe you can just cover off on the short term first and how that's affecting the actual operations and volumes from your perspective?

<A – Keith Creel: Okay. Let me step back and I'm going to kind of tell you the way I look at this. I think about these tariffs, and I had a lot of time to think about it, obviously. And I anticipated some choppiness, when President Trump got elected, in our USMCA negotiation, which we -- it has to happen next year, which my thesis is it happens sooner than next year. That said, I kind of look at the tariffs in three buckets.

So number one, and I don't minimize this. The actions of the Trump administration to address illegal immigration and drug flow between Canada and the U.S., between Mexico and the U.S., those concerns are real. And those drove the initial 25% tariffs that President Trump threatened and quasi-imposed and pulled back, so that's one specific bucket. The other is USMCA, how that may or may not be affected relative to renegotiating. And then third is this what I call reciprocal tariffs so those are kind of the three buckets I look at.

And I look at all three of those, and I think about the facts, and the facts are status quo is not acceptable. That's what I'm hearing and I'm seeing and I'm reading from the administration, President Trump and his administration are intent on rebalancing the trade imbalances that exist between U.S., Mexico between U.S. and Canada. That's absolutely, undeniably true. But when I look at what's happened so far, I see, again, what I've said all along that these three countries have never been more integrated than they are today.

The last three, four years, which happens to parallel the time that we began the pursuit of the KCS and we've now starting to integrate the need and the interdependence has only grown. The near-shoring, ally-shoring, all those things got accelerated with risk in the supply chains, which the pandemic exposed in a very meaningful way. And as a result of that, billions of dollars have been invested especially in Mexico to help derisk supply chains to bring products closer to market, to the consumption market, which is the U.S.

So in the end, once all this settles out, especially our railroad because uniquely we connect all three nations. We're the only, forever -- only railroad that does that. I see a way to win in all these markets. So in all honesty, our customers initially, if you think about automotive, they took a pause.

Obviously when the President came out and paused also the tariffs in line with the USMCA compliance, things are shipping normally. So we've got strong demand in autos. We've got strong demand in intermodal, we've got strong demand in lumber. We've got strong demand in energies, chemicals and plastics. All those markets are strong and they're there.

Now I think about what might happen. And I've looked at all the scenarios, of course, we're running daily scenarios like everyone else is. We're not tariff immune, but I think we're built well for this. And so -- but I'll look at -- if I look at all the range of outcomes of what we know today, worst case versus best case, it kind of aligns with the way we issued our guidance.

We said 12% to 18% earnings growth. And in all those scenarios, in a worst-case scenario, which, by the way, we're not anticipating, we still make our double-digit -- low double-digit guidance for the year. So once you get beyond the storm, and I think that's what's going to happen, you're going to have some rebalancing.

You're going to have some negotiations. We're going to get more clarity. I think clarity is going to help everyone. But in the midst of the unclarity, in the midst of the risk and the uncertainty, it's creating an opportunity for us with this network to be market makers. And let me explain, we had managed trade flows from Canada to the U.S., from Mexico to the U.S., and that's what everything has been centered on.

Now that this risk has been introduced, you have an appetite and an incentive if you're a Canadian producer or a Mexican producer looking for a new market that might not be the United States, we're the land bridge that makes it possible. That was never before possible without this merger, and that's unique to our railroad. No other railroad can do that.

So we can create these markets. So I'll give you some for instances. Think about products, food products that are produced in Canada that historically have been shipped to the U.S. something as simple as French Fries. There's a lot of French Fries produced in Canada, east side as well as west side right in our backyard in Calgary, a company called McCain's we've all heard of. We're starting to ship literally this week, 20 loads a week of French Fries that are produced in Canada in Calgary to Laredo. Well they're going to Laredo because today, we don't have the cold storage facility established yet in Mexico, which has been ongoing for a 2-year process, which is coming online later this year. They will eventually go beyond that border to the Mexican mouths that will need them to that market.

So that opportunity exists in intermodal. I can go to metals and minerals. I can go to aluminum. There's a lot of aluminum produced in Canada. I can make a case that we consume more than we could ever produce or at least in the short term, produce in the United States. So that's one market.

What about a market of what's produced in Canada now looking for a new market to diversify in Mexico? Since we've brought the companies together, we've already started shipments of Canadian aluminum to Mexican markets. This accelerates those discussions. This allows for discussions in new markets to be created so that the volumes that we've enjoyed so far. And by the way, that's quite a long haul from Canada to Mexico can be amplified.

Same story for energies, chemicals and plastics. If you look at refined fuels, we're already moving refined fuels from Canada to Mexico. If the U.S. market is unattractive, the Mexican market becomes more attractive. The Mexicans are motivated as the Canadians are motivated to create this market and we become the bridge.

Same story on plastics, plastics that are produced in the Western part of Canada, right in our wheelhouse in the Edmonton area with the market going to Mexico. So you can go across the book of business. And as much as this creates challenges, it creates opportunities. And that's the way this company is wired to think. History will give you challenges, but you can be defined by how you respond to them, not by the challenges themselves.

So it just means that we get eager. We get hungry. And I'll tell you, the more I think about this, I get more excited about it, we were together, we bring, annually, our marketing team together every February, the beginning of February. We've done it for 10 years now. And it's all about – we do a little bit of celebrating about what we've accomplished.

But most importantly, we get aligned on what we have to get done this year. So in February, I stood on the stage as I close the conference out, and we started thinking about we control what we can control. I can't control the President. He's running the country. I'm running a company.

But what I can control and what we can do is we can create our own solutions. And when I told that marketing and sales team, you're not order takers, you're market makers and you're hunters, it's an opportunity for you, with all the risk, to get closer to a customer to become more strategic to become part of their solution instead of part of the problem. And that's exactly what the team is doing.

And I'll give you one last case in point. And I don't know any other railroad that does this because it was kind of unique for us, at least in my experience in 30 years of doing this, back during the pandemic, it's stand-alone CP. Business was drying up. Customers didn't -- we didn't know. We didn't have a lot of certainty, there was a lot of risk in the air, and we said, "You know what we're going to do." Everybody is locked in at home. They can't really get out. The world is shut down. I said, but the phones work and the computers work.

I said, so we're going to introduce cold-call selling. And at CPKC, again, unique to the industry, for our sales team, we have a commission program. So they're incented to bring on new quality revenue. So I said, you know what, coming out of that sales meeting, one of our young salespeople from Kansas City came up and he said Mr. Creel, you know what I've done in my history in my past before I came to work for the railroad that I think might work well for us? Have you ever considered a cold-call campaign. And I said, "You know what, let me tell you about what we did at CP, but you're right." We haven't at CPKC.

So we kicked off a campaign three weeks ago. We brought all the team together. We said, listen, you're already getting commission. We're going to create a competition over the next 60 to 90 days, new leads, new opportunities for won business, you got to win it. It's got to come to the railroad. In each of our five business units, we're going to recognize and incent the winner, and this might sound silly to some, but this means a lot. You take a marketing person and you award them when they win this with a weekend at a meaningful hotel for them and their spouse, something they'd never pay for themselves, that gets people motivated. So that campaign alone kicked off, they've identified it. I checked on it yesterday, over 343 opportunities.

It represents -- the opportunity pools in excess for $350 million revenue, and that's what we had to go work for. But already, over the last three weeks, we've won $20 million in new business. To me, that's entrepreneurial, that's aggressive, that's hungry, that's making a unique outcome with a very unique network.

<Q – Brian Ossenbeck>: So one of the other, I think, unique outcomes with the network that required some investment. You mentioned a little bit earlier, just the cold chain. So can you talk more about Americold.

At least in my experience, we haven't really seen the railroads do all that well with temp-controlled. So I guess what's something you'd agree with? And sort of what's different this time? And what should we sort of expect as this project ramps up throughout the year?

<A – Keith Creel>: Yes. I think, again, perspective matters. At CP, this is before CPKC, Loblaws, we're their largest transportation provider in Canada. They're the largest retailer in Canada.

So we have quite a bit of experience with temp-controlled reefers in Canada. We offer that product on a retail basis. Loblaws is a big consumer of that. So as we approach this transaction, and we

thought about the ecosystem we could create and how we could create new markets, we came up with the concept of making the border invisible, because as it works today, if you look at the proteins that are produced in Middle America, they're trucked into Mexico.

So it's a huge market for beef. It's a huge market for pork as an example. And then the fruits and vegetables that are produced in Mexico, that's kind of the fruit basket of North America. Now it's not California anymore. It's coming from Mexican origins and it's going to U.S. mouths and Canadian mouths. So we said we need an ecosystem to support this. We had land in Kansas City at our Intermodal terminal. That's our capital. We went to Americold and we said we have a concept. They're very entrepreneurial as well, headquartered in Atlanta, they're world-class producers, world leaders in this space and we said this is what we think we could create that would be special and unique, allowing the complexities of the border to disappear.

If you're willing to partner with us, you can build your facility, create the stickiness. We get the lion's share of the business that comes in your door, it goes to rail. This journey started three and a half years ago. It actually started before we announced -- we signed the deal before we get the final approval for a merger together back in -- this has been a journey. To make it work, part of the solution is, okay. We've got to figure out how do we get border and ag inspections that are done in Mexico, identified and located in Kansas City.

So we literally have worked out an agreement with the Mexican government, we have Mexican inspectors that are going to be living in Kansas City when the facility at Americold opens up in June or July of this year that will inspect those proteins that are going to Mexico, preclear them, they'll get to the border, it will be transparent.

They'll go to our bonded destination, which we're building in Monterrey and Salinas Victoria terminal. That's the first location. We're already in advanced talks about a second and third location in Mexico with Americold. And then since that's occurred, now go to Canada. If you go to Canada at Port of Saint John, that's another unique transaction that we entered into before the CPKC merger, connecting us back to the Port of Saint John. They're in the middle now of an $80 million project, where they're building a cold storage facility that's going to open up second quarter of next year, of '26, that creates another bookend to feed this ecosystem that's unique to our industry.

In anticipation for this, we announced this back before the merger. We went to the market and bought 1,000 additional temperature-controlled reefers, state-of-the-art. We're deploying those assets now. It's going to create the ecosystems.

You're going to have proteins going from the Kansas City area, from the Midwest, to Mexico. You're going to have fruits and vegetables coming from Mexico to the U.S. and/or to Canada. We're already starting to move fruits and vegetables that are grown in Mexico to Canadian mouths in Toronto and across the Loblaw's ecosystem from truck conversion where they were trucking from Mexico to Canada, but over the rail.

So again, back to the point I said a minute ago, we're not tariff-proof, but that is tariff-proof. That will bridge any tariff using our railroad as a land bridge to connect the market from Mexico to Canada. So again, it's unique to this network and something that we're capitalizing on.

<Q – Brian Ossenbeck>: One of the other ones that was pretty unique that sounded pretty good at the time I think, has also exceeded expectations, just the auto closed loop with the OEMs. And I think with GM in particular. So is that something other OEMs are kind of seeing the same progress, the same opportunity.

Is that something you can scale to them. Obviously there's a headline at the minute, that's probably giving some uncertainty there. But looking beyond that, is that something you can also offer to other OEMs.

<A – Keith Creel>: Yes. Undeniably, the answer is absolutely yes, and we are. As you said, we anticipated our success in that conversion to be kind of later in our synergy story and because of the crisis that occurred in '23 with railcar supply, it kind of advanced the discussions and it motivated the incentive for the railroads to partner with our railroad, specifically with General Motors and offer the supply chain solution.

And it's been met with the resounding success with General Motors. That same concept when you compete against General Motors, if you're competing for market share of the market, you need to get your vehicles to the market.

It creates interest and motivation. So we've got contracts that are opening up in 2026 with two large OEMs. We've got one that we converted this year, we've got short-sea contracts that are opening up as well. So that whole ecosystem of the virtual loop which is enabled by this network, enabled by the investments we made building the terminal in Wylie, which quite frankly, is literally at the verge of being sold out.

We're now opening up other opportunities this last week. I was talking to the team, there might be an opportunity to build a compound, say, in North Dakota. Right now vehicles that are feeding North Dakota are being trucked in.

So we're talking hundreds of miles of dray from rail heads that aren't really in the backyard, when we have an opportunity again, with the bookends. We've got the manufacturing facilities in Canada. We've got them in Mexico, the markets in North Dakota.

If the business case is there, we've got the capital to sink it in the ground and we'll create the stickiness to just continue to add to this ecosystem of virtual supply, creating railcar supply and keeping those finished vehicle racks on our railroad so we can create supply organically for our customers.

<Q – Brian Ossenbeck>: One of the other services that you've talked a lot about and brought to the market and created some competition, I think, in the market is the 180/181 cross-border service into and out of Mexico.

So maybe you can give an update on that. And is the second bridge, the Ottensmeyer bridge, is that going to help with additional service? Additional opportunity with fluidity? Or is that just more of a broader network piece that you added there?

<A – Keith Creel>: Let me start with the second part because that's something we're extremely proud of. We finished the bridge in Laredo, back in December, we commissioned it last month, and I had the honor and opportunity to go down and name, we named it after Pat, to honor Pat.

So it's the Pat Ottensmeyer International Bridge. Twin bridges beside each other. So it's built for growth for decades to come, doubles our capacity. But in the meantime, the existing business that ran over that rail single bridge, which was part UP and part ours, is going to move faster, more efficiently.

So we have immediate asset turn implications where it's going to allow the border to be more fluid and then, of course, it provides the capacity for tomorrow. So it's accretive right out of the gate, something we're super excited about. And then the second part, 180 and 181, that train is a

difference maker. It's a market maker. We put it in service a month after we took control of the railroad back in '23. It's continued to grow. It's truck-like reliable. You can set your clock to it. It's truck competitive. The truck can't beat us to the markets in Mexico because of that border and it's a day faster than our rail competitor. So the Falcon, I guess, I want to say tri-national, the Falcon cooperation or partnership between CN, UP and Ferromex.

It serves a market. I'm not saying it doesn't, but the market we serve is very time sensitive. So to have the quickest and the fastest and the most reliable services allow growth and unlock growth. I looked at just yesterday, our growth in first quarter this year versus first quarter of last year and it continues to gain momentum, we're up 43% versus last year.

We exited December at a record volume on this thing as it continues to grow. We're up 18% from where we were in December. So again, as we start to negotiate and partner with companies like Schneider, which is a very strategic partner of ours, which we kind of launched this service with.

We're bringing automotive parts, automotive parts that are coming off the highway that are shut down parts going to manufacturing facilities in Mexico, those parts are starting to move by rail on 180 and 181.

So again, it's kind of a pathway to future growth, but it's something that can't be replicated and creates stickiness to this rail network that not only wins rail share but wins truck to rail share.

<Q – Brian Ossenbeck>: And how does that tie into the MNBR, which was -- took a while to get approved, but finally last fall, which opens up the Southeast, I believe Schneider is also a partner there as well. We have a Class I to Class I connection. Can you talk about the investments you might need to make there and where that's ramping up as we look further into this year?

<A – Keith Creel>: So that was -- quite frankly, that was something that had been thought about but never imagined would become realized as quickly as it did. When we put the company together, that was something that kind of came after the fact. But I can tell you it's completely accretive to it.

Schneider, who again, just so happens, CSX is the company that we partner with to create that second alternative, that Class I alternative to bring traffic to the Meridian Speedway from the Southeast, they're uniquely aligned with Schneider.

So Schneider with their knowledge of the market, given that they've competed or tried to compete in that market and been at a disadvantage connecting the Southeast to the Dallas markets into Mexico, they're no longer at a disadvantage.

They're as excited about the opportunities in that lane -- they tell me from their intelligence, there's twice as much opportunity from that lane as there was from Chicago into Mexico. So again, it's early days. We're gaining momentum, we're starting to make shipments. We've got a matter of fact, Americold is one, I'll tell you about now.

Americold, they're headquartered in Atlanta. Their largest cold storage facilities are located in Atlanta not very far from the cold storage facility is a terminal that CSX runs in Fairborn, Georgia. We've got moves now coming out of Mexico, product that's been trucked forever to that market that are starting to move to the Americold facility.

So we're going to test the market, we're going to prove the concept. And again, with this new gateway and connecting to that 180 and 181, it just creates this growth that opens up this opportunity between the Southeast and Mexico that is, I think, exceeds the opportunity from Chicago to Mexico.

<Q – Brian Ossenbeck>: So looking at the international ocean side for a second, you're partners with Hapag-Lloyd and Maersk on different areas and different ways, but they've also partnered for the Gemini Alliance, which is rolling out as we speak.

So there's been some skeptics on it. I heard it described at a conference last week, it sounds a whole lot like scheduled railroading on the ocean perhaps. Maybe I don't know if that's oversimplifying it too much, but what does that do for the CPKC model in your ports of call.

And maybe if you can just talk a little bit about how you view the potential for the China fees that are being talked about in the market, if there were to be levied on those vessels coming in, does that impact this alliance or impact your strategy with the ports at all?

<A – Keith Creel>: Okay. Let me start with the potential tariffs on the Chinese ships. At the end of the day, if that occurs, when that occurs, then certainly that creates economic incentive, I believe, for Canadian ports as well as Mexican ports. But you got to be able to convert it. And to convert it, you got to be aligned with the right people when it comes to capacity at those terminals.

So Lázaro Cárdenas has a lot of capacity. Just so happens that Maersk owns one of those terminals. So they're economically incented to drive volume to it. They have just recently as part of their concession in that terminal had to commit to investing an additional $100 million into the capacity into the infrastructure. So that's a positive.

Now if you go up to Vancouver, it's Centerm. Centerm a couple of years ago, started an expansion project that had just came online. Just finished last year, that we uniquely serve direct on the South Shore. Well now with Gemini, Gemini ships, they made their first call on Centerm Terminal this past weekend.

At Centerm, now with this business shift in Gemini, CPKC and the partnership with Gemini represents about 80% of the capacity that's coming into Centerm. So we have an opportunity to create by partnering with Gemini and launch a train from the South Shore that can penetrate markets in Canada that can't be paralleled by a competitor. So it will be an industry best service partnered with an industry-best steamship line.

Now exactly what you said is exactly what it is. It's PSR on the water. Think about these assets. When you turn assets and you drive a scheduled operation, you're going to get better service and you're going to get better cost control and asset turns.

I just happened to be with Rolf last week in TPM, we had lunch. And I just said, listen, Rolf, I got to ask. I said, "I'm a PSR guy. I said you're becoming a PSR guy, too." I said you understand the importance and the benefit. I said, so I'm going to ask you an operating question.

I said, you've got a lot of ships. I said, so if you're striving to be more than 90%. And at that point last week, I think they had already launched around the world over 100 different launches, and they were at 94%, 95%. They're super excited about it.

Centerm is ready to rock and roll for us. We're all set up for success. I said, okay, let's say, 90%, you maintain 90% Rolf, how many ships do you save? I want to get excited about it. The number is staggering. It's hundreds of ships.

I'm not going to tell you the exact number because I don't want to speak for his business, but it's exciting. And I said, man, that's -- and those things cost a lot of money. They cost a little bit more than a locomotive do.

So it's compelling. And then he said, "Yes, Keith and what about the containers." I said, you're exactly right. It's the containers and the ships. So the savings for that alliance, the motivation to run those ships on time, which when you get into a supply chain, predictability, reliability, scheduled service matters.

We match our train service to those ship services. So when they call on time they discharge on time it goes to our railcars on time, I get to optimize my assets as well. So again, we get a service offering that allows us to get cost synergies. It allows us to optimize our capacity. It allows us to benefit our customer uniquely because they're enjoying the same benefit.

So the stickiness gets created, the product is unique to the marketplace. And I guarantee you in a world where transit times matter, that alliance is going to win market share. So whether it's motivation because of surcharges on ships going to the U.S. ports, sending business to Canadian ports, sending business to a Mexican port, partnering with the right folks that can actually convert it matters. And we happen to be in the middle of that. So again, it's -- both of those discussions are very accretive to our value proposition.

<Q – Brian Ossenbeck>: So we'll probably have time for one more question, but I'll ask a bigger picture one just on growth in general. So we've heard a lot about truckload conversion over the years. Obviously we talked about it today as well but it sounds like to me, at least to solve that equation and the industry has had some issues with growth and consistent growth over the years, rail industry overall.

Is service enough or is that table stakes? Do you have to do things like add new service designs, new products, add new – use some of your land bank to stand up new facilities? Because I think the industry has gotten a lot better with service. I just don't know if that's going to necessarily translate to outsized growth if the shippers are not necessarily seeing anything differently.

So maybe you can talk about your experience with truckload conversion now that you've got a much larger footprint in the U.S. and in Mexico? And then just how you're thinking about the longer term, getting that sticky growth and how you go about doing that?

<A – Keith Creel>: Yes. I think -- let me -- speaking for the industry because I think these are universal truths that apply to the industry, but I'm going to speak to our success, which was table stakes at CP and it's table stakes at CPKC. You have to be truck-like reliable.

It's an outdoor sport. It's never going to be perfect. But you have to have a plan and you have to execute it. And you have to allow a bit of resiliency. You have to have a disciplined operating model, and that's what PSR is. So those that get that and figure that out can create truck-like reliability.

Now you've got to convert it. You've got to differentiate yourself from your competitor. So is your competitor another rail, or is your competitor truck? In our case, it's both. So in our case, we get to play in both markets. So how have we done and how will we continue to do it to create the stickiness, is being entrepreneurial.

What can we do for the shipper that no one else can do that not only once attracts them to come, but keeps them. So you have strategic partnerships and you're not treated like a commodity. So it's things like we're doing like Americold story where we take our land holdings, we build a facility, our capital is the land, their capital literally is the brick-and-mortar that it takes to build it like we did in Vancouver years ago with Maersk. Little did we know what that partnership would lead to today, but it made sense then, it makes sense now.

So if you can take your land holdings, and create mousetraps that add value for the customer and you have truck-like reliability, there's no reason in the world you shouldn't be growing because historically railroads are not known for doing that.

So it's a different way of thinking. It's much more entrepreneurial. It takes a bit more resilience. It takes -- you got to go out and be market makers. You got to go out and be hunters. The days of just being order takers, those that are just order takers, if you feel comfortable doing that, I guarantee you your outcome is not going to be very unique and exciting. At this railroad, rest assured, we're not going to be comfortable and our outcome will be unique and exciting.

<Q – Brian Ossenbeck>: One of the things we've heard a lot about talking to shippers recently is just -- we've seen it in the news as well and the AAR published something earlier this week about cargo theft and security.

So not a CPKC specific issue, a rail issue, supply chain issue. But given your unique perspective across the three countries, is that something that comes up in your conversations with shippers and how you think about designing and operating the network.

<A – Keith Creel>: It certainly has been very tropical with our shippers Mexico into the U.S. Obviously we kind of inherited that, but God bless them, the KCS team did a phenomenal job of recognizing that risk, they invested a ton of money and they've created an ecosystem of partnership with security as well as on rail, off rail, unique partnerships in Mexico itself even with the military.

Something as simple as with the military a lot of these locations that might be hotspots or at risk spots, when you have land and you have an ability to create lodging perhaps, and there's a place for the military to stay and they just happen to be located by your rail yard, it's almost as if the deterrence is there.

So it's much more involved in that. We have a very disciplined process. We have the most secure border crossing. The second bridge has only enhanced that. We have an outcome when it comes to claims, less than 1%. The claims that we get from Mexico into the U.S. are almost nonexistent because of all these levels and layers of security that we have, and we call that the CPKC advantage because what's true in our border crossing is not replicated at the other border crossings.

So again, we have some experience in that. Now I don't -- I'm not hauling a bunch of containers of Nike's and some -- maybe I'm not just going to go do that. But at the end of the day, if we do and when we do is we win our business, we can assure our customers that we have a secure railroad, and we're going to do our dead-level best to continue to exercise those muscles that allow that outcome to occur and our customers should expect that from experience with us.

<Q – Brian Ossenbeck>: So there's been say probably not a whole lot of progress in terms of the industry being able to advance even simple things for safety and productivity out of D.C., in particular, and probably also in Canada as well.

So now that we've kind of turned the page in that regard. Do you feel like there are some things the industry maybe CPKC itself can bring to the market to address or at least use some of the technologies that are out there? I know you've got the cold wheel technology and other things you've demonstrated over the years, the inspection portals. But there are certainly things you're wanting to get out into the field. Is that something we can expect to see the rest of this year, at least start.

<A – Keith Creel>: Yes. Again, I think you -- the essence of the last four years, unfortunately, with the previous administration when it came to advancing technologies that allowed safer outcomes, more resiliencies, safety in the rail industry. The motivation to do that was taken away. A lot of that was even regressed in fact, through autonomous track inspection, some of those things that were out in the marketplace.

With this new administration and the new regulator, they've already signaled to us, not by what they're saying, but what they're doing, they're going to reduce regulations that are unnecessary and they're going to allow technologies if you can prove that it creates a safer outcome, then we've got an administration that will allow us to deploy those initiatives. And we have experience in Canada.

To your point, the cold wheel technology, there have been progressive actions by Transport Canada, again, with empirical data that shows that it drives a safer outcome, a safer railcar, safer track infrastructure, a safer brake system.

We have uniquely benefited from technology deployment in Canada that we want to bring to the U.S., which will strengthen the U.S. rail industry, safety for the U.S. rail industry and benefit our railroad eventually out of the gate uniquely, but I think it's going to be picked up across the industry and benefit the overall industry. So super excited about the regulatory front as we step into this new administration.

<Q – Brian Ossenbeck>: Very good. Well unfortunately we're out of time. But thanks very much Keith, for spending time with us today. Really appreciate it.

<A – Keith Creel>: Thank you so much. Take care.