



## Canadian National Railway Company Is Investing to Become the Railroad of the Future

### Description

**Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) is an incredible business with one of the largest moats out there. The company has grown its dividend by a huge amount over the last decade, and the same magnitude of dividend growth is expected for many years to come. The management team is one of the best in the business. They know how to drive operational efficiencies, and this is a huge reason why the general public refer to CN Rail is known as North America's most efficient railroad.

I believe CN Rail is one of those rare stocks that you could buy now and hold for many decades without worry. A new Canadian rail entrant is just not possible right now, and it probably wouldn't be a very profitable endeavour considering the billions of dollars it would take to build a new railroad.

So, a new Canadian railroad that competes directly with CN Rail is out of the question, but does this mean that CN Rail is immune to the advancements in technology? Technology is becoming a huge disruptor in many industries, but what could outdo a railroad?

### Could the rise of autonomous vehicles hurt business for the rails?

Self-driving cars are a hot topic of late, and it appears that many experts agree that a fully autonomous car could be hitting the roads sometime over the next few years. Over the long term, there'll be fewer accidents as the human factor is eliminated.

What do self-driving cars mean for CN Rail?

In the near future, we could see autonomous trucks on the roads that carry goods across long distances. Transportation of goods via trucking is nothing new. Many clients may opt for such a method of transportation, but if you're dealing with bulk amounts, using a truck is definitely more expensive. Eliminating the driver from the equation certainly will reduce costs for clients, which will make trucks a more attractive option for transporting goods from point A to point B.

Driverless trucks are not going to replace the rails, but I believe they may chip away at some of the

business. Luc Jobin, CEO of CN Rail, stated that the company plans to invest about \$500 million in improving operations to stay a step ahead of the technological changes that the trucking business will experience over the next decade.

CN Rail is early to the game, but it's comforting to know that the company is thinking years ahead. CN Rail plans to increase automation to reduce labour costs associated with track inspections. These savings will offset the loss of business from driverless truckers, but what about a driverless train?

The company plans to spend \$1.2 billion by 2020 to obtain a Positive Train Control system, which will monitor and control train movements. Such a system would see new technologies on trains, like GPS and connected, on-board computers that will make rail operation safer and more cost effective in the long run.

Walter Spracklin of RBC Capital Markets stated, "CN Rail is at the forefront of railroad innovation," and I believe he's right on the money. By embracing innovative technologies, CN Rail will be able to create the railroad of tomorrow, which will probably be safer, faster, and cheaper. For this reason, CN Rail is a fantastic core holding that will reward every long-term investor.

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