



Buy and Hold Investors: 1 Stable Transportation Stock to Own for 100 Years

Description

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) was privatized 25 years ago. The company (CN) has evolved from an inefficient government-owned railway into a lean, sustainable enabler of trade. CN is implementing new environmental, social, and governance (ESG) initiatives that should [reinforce the company's status](#) as a leader among North American Class I railroads and across the entire transportation sector. CN's longer-term goal is to be at the leading edge of global ESG best practices.

A remarkable thing about CN is that it has always kept a focus on the future, not just the present. The company's goals are in keeping with the company's responsibility to all the various stakeholders who rely on CN to continue to evolve and modernize over the next 25 years and beyond.

In this evolving context, the CN board moved decisively to put in place [new measures](#) to ensure the company is well-positioned to meet complex challenges.

Best-in-class practices

CN operates within or adjacent to nearly 200 reserve lands of more than 110 First Nations and Métis territories in eight provinces. To strengthen relations with indigenous communities, CN has created the CN Indigenous Advisory Council (IAC), an independent body composed of indigenous leaders from across Canada, which advises CN on issues such as diversity and inclusion.

Over the 25 years since privatization, CN's board has continued to strive to implement governance policies that reflect evolving best-in-class practices. CN's new measures include a commitment to board diversity, whereby at least 50% of the independent directors come from diverse groups, including gender parity.

CN has also recognized the importance of consistent engagement with all stakeholders, including shareholders, and has encouraged open and meaningful dialogue and the exchange of ideas.

Intelligent capital allocation

Railroading is an asset-intensive business. The company annually invests approximately 20% of CN's revenues to support the safety of the company's network, improve CN's efficiency and resilience, and enable growth.

In 2020, despite the financial impacts of the global pandemic, CN kept the capital budget fairly steady and invested \$2.9 billion back into the business.

Beyond the approximately \$1.6 billion CN invested to maintain the basic integrity of the network, it also continued to invest in track and yard capacity enhancements, more fuel-efficient locomotives, higher-capacity grain hopper cars, and technologies that support safety and efficiency.

Digital scheduled railroading

For more than 100 years, CN has been at the forefront of innovation. It pioneered the now industry-standard precision scheduled railroading (PSR) more than 20 years ago. Today, CN is taking PSR to the next level by layering advanced technology and automation onto every aspect of the company's operations.

The company is putting powerful sensor and artificial intelligence (AI) technology into automated track inspection railcars that run on regular trains. As a result, in 2020, CN was able to inspect 20 times more track than ever before. DSR is also changing how CN inspects the company's railcar fleet.

These initiatives could make the company much more valuable as the intrinsic value grows.

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