Comptabilité

Serge Pharand
Vice-président
et contrôleur général

935, rue de La Gauchetière Ouest
Montréal (Québec) H3B 2M9
Canada
T 514 399-4784
Tc 514 399-8604
serge.pharand@cn.ca

Accounting

Vice-President
and Corporate Comptroller

935 de La Gauchetière Street West
Montreal, Quebec H3B 2M9
Canada
T 514-399-4784
F 514-399-8604
serge.pharand@cn.ca

VIA ELECTRONIC SUBMISSION

July 29, 2011

Mr. James L. Kroeker
Chief Accountant
Office of the Chief Accountant
United States Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

File Reference No. 4-600

Re: SEC Release No. 33-9109, *Commission Statement in Support of Convergence and Global Accounting Standards:* Securities and Exchange Commission Staff Paper, *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers - Exploring a Possible Method of Incorporation*

Dear Mr. Kroeker,

Canadian National Railway Company ("CN") appreciates the opportunity to comment on the Staff Paper referred to above and issued on May 26, 2011. CN is the largest railway in Canada with significant operations in the United States carrying freight for the benefit of both countries. It has a market capitalization fluctuating around $34 billion and employs approximately 23,000 employees. CN's shares are publicly traded on both the Toronto and New York Stock Exchanges.

CN believes that generally accepted accounting principles in the United States (U.S. GAAP) are a well thought out set of accounting pronouncements developed over the years by highly competent accounting professionals. For that reason, CN strongly agrees with the objective of maintaining and developing U.S. GAAP in the direction of international accounting standards over time. In that regard, CN is supportive of the "condorsement" approach referred to in the Staff Paper. This approach will provide an orderly transition to a single set of high-quality, globally accepted accounting standards, which will also be influenced by the experience acquired in developing U.S. GAAP.

We further believe that a phased transition plan, which is tailored at the individual standard level and is implemented over a five to seven year period, will be effective in minimizing the costs and burden of transitioning to IFRS. However, we would like to emphasize that any transition period should be dependent on the cooperation from the International Accounting Standards Board (IASB) in dealing with issues that may be unique to the North American environment. For example, North America has the largest railway industry in the world generating over $60 billion of annual revenues with investments well exceeding $100 billion. We suspect that there are accounting issues, which may not have been considered by the International Accounting Standards Board at this time.

For example, we note that the Staff used IAS 16 and, specifically, the componentization requirement to illustrate how an IFRS not subject to standard setting might be incorporated into U.S. GAAP. While the Staff Paper recognizes that it would be difficult for U.S. issuers to retrospectively apply the componentization requirements, it does not address whether or not IAS 16 and/or the componentization requirements within the standard are appropriate for U.S. issuers. There is existing literature that supports the use of the group method of depreciation for homogeneous groups of assets, and as such many companies in capital intensive industries, like CN, follow the group method of depreciation.

Therefore, it is important that group accounting, which is currently an acceptable method for accounting for property, plant and equipment under U.S. GAAP, continue to be an acceptable method of accounting within IFRS, especially given the significant costs in system upgrades that are expected to be required if converting to componentization. We also question whether there really is an added value to the various readers of financial statements if componentization is imposed. Consequently, we recommend that an active deliberation related to the application of the group method of depreciation and the merits of componentization be held prior to implementing IAS 16.

Another area would be the development of a "condorsement" methodology in cooperation with the IASB. While maximizing the number of IFRSs subject to prospective application may lessen the cost and burden of transition, we recommend that the transition method be carefully considered for individual standards. In some cases, retrospective application may be necessary in order to maintain comparability of financial information across entities. In this context, we believe that maintaining flexibility in the manner in which an organization may adopt and apply these existing standards, while complying with IFRS, could be beneficial and would serve to promote the integrity of the requirements of those standards.

We recognize and appreciate the active role that both the Financial Accounting Standards Board ("FASB") and the Commission play in providing financial statement users with meaningful financial information, protecting investors, and ensuring fair, orderly and efficient capital markets. We believe that both the FASB and Commission should continue to have a significant active role in the international accounting arena to assist in the development and promotion of accounting standards that address the needs of companies using the United States capital markets.

Yours truly,

Serge Pharand

Serge Pharand