

Agricultural Outlook Forum

Rail Transportation Issues



February 27, 2009

*Paul Hammes – VP & GM Agricultural Products
Marketing & Sales*

BUILDING AMERICA™



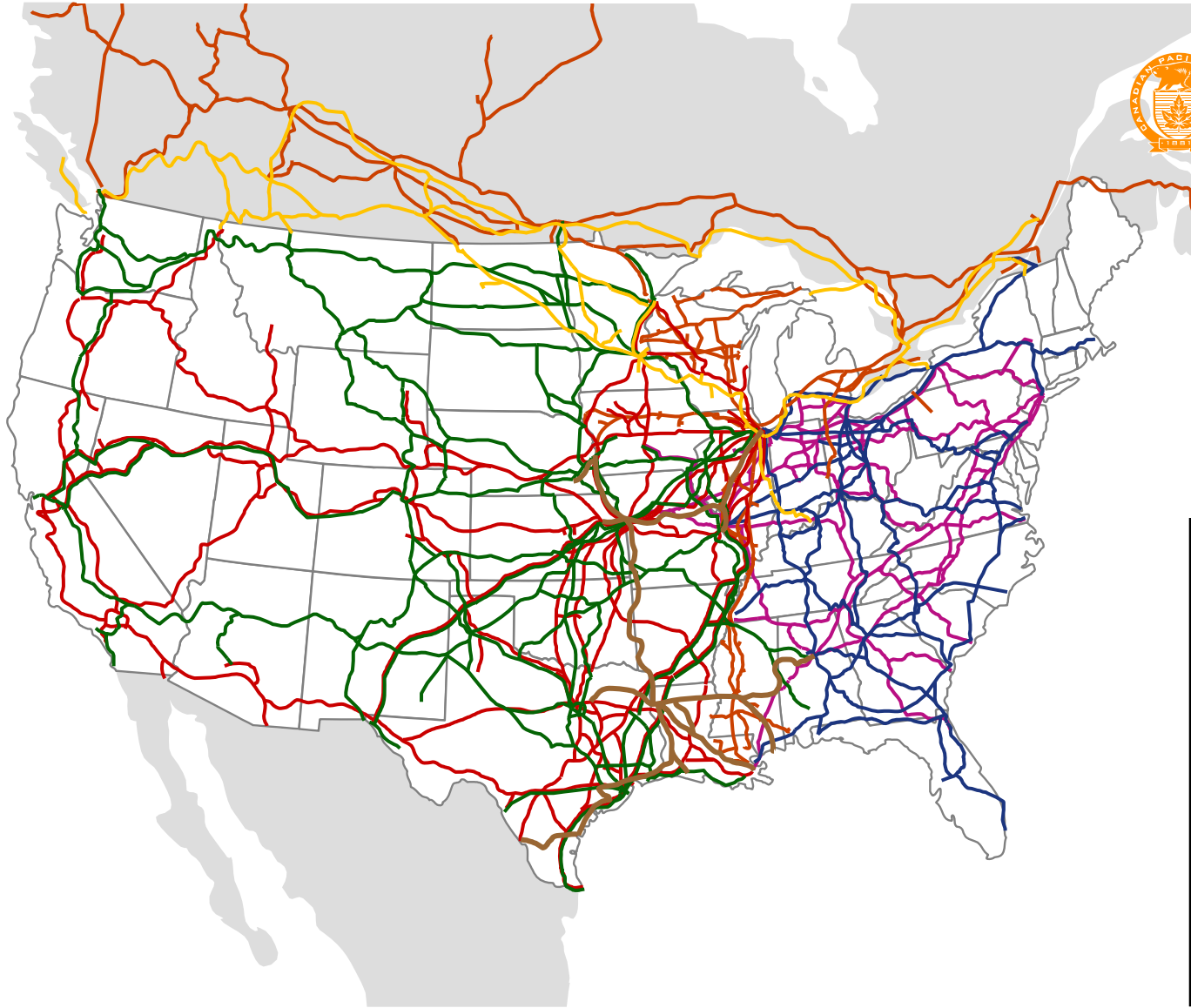
America's Transportation Solution

- Safest Form of Ground Freight Transportation
- Moves 1 Ton 790 Miles on 1 Gallon of Diesel
- Reduces Greenhouse Gas Emissions by 67%



**Congested Highway System
Creates “Infrastructure Tax” on
America - \$8 Billion Annually**

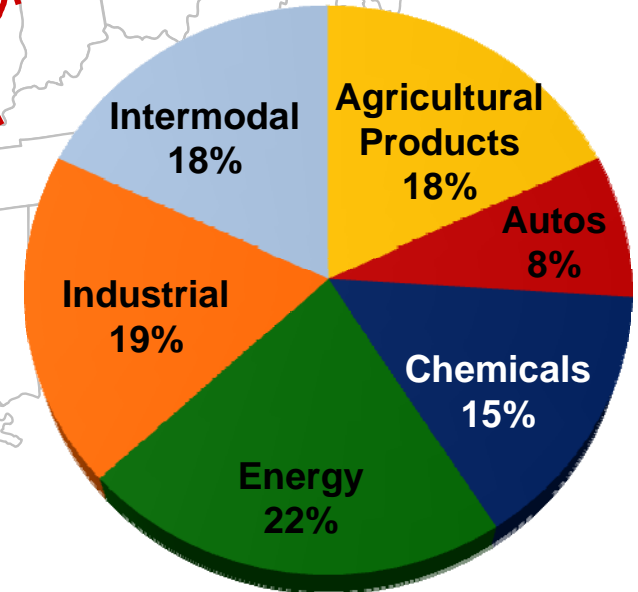
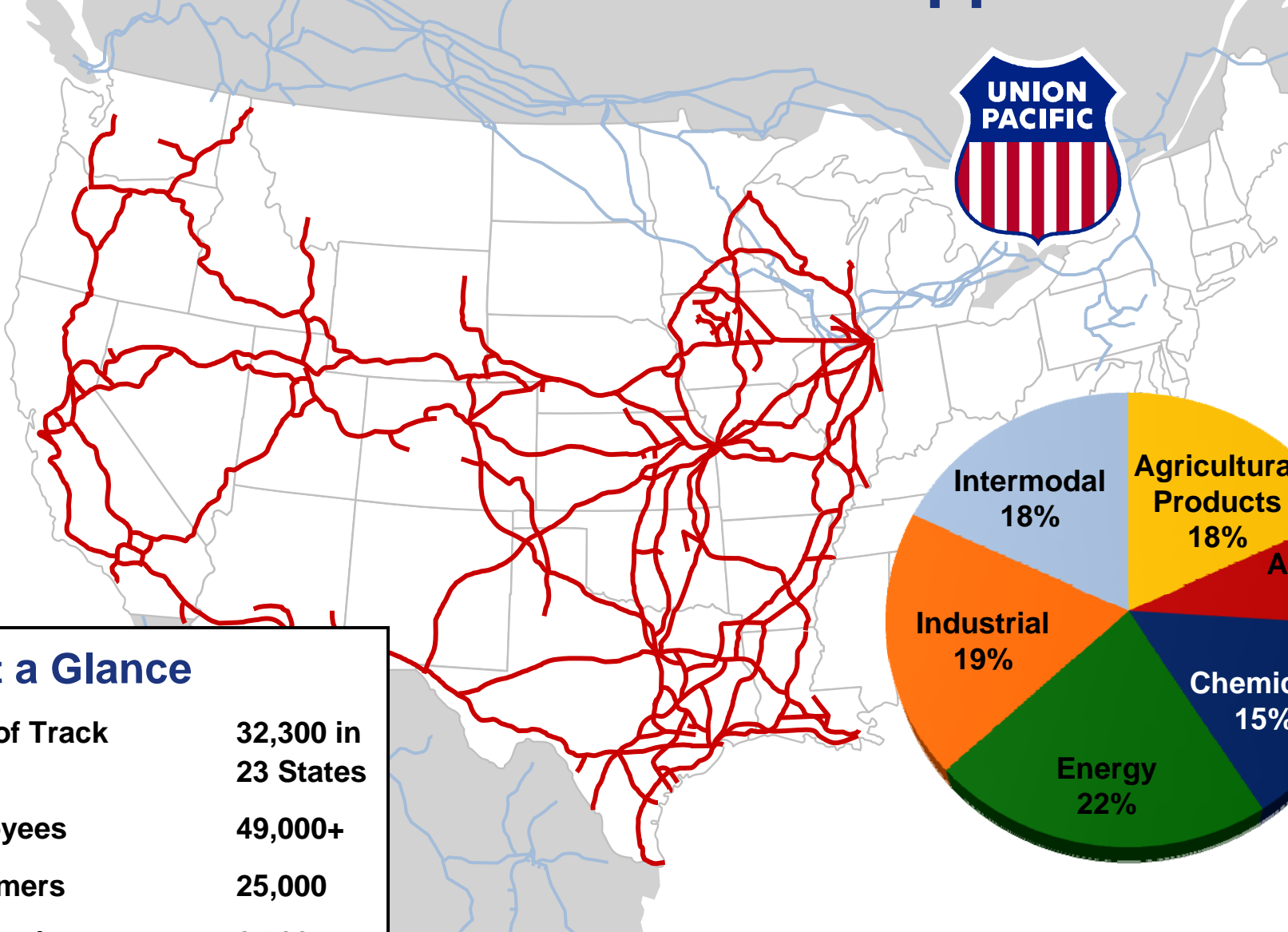
Major North American Class I Railroads



Fast Facts

- Miles of Track
161,114
- Originated Carloads
31.46 M
- Freight Revenue
\$52.9 B

UP Franchise – Tremendous Opportunities

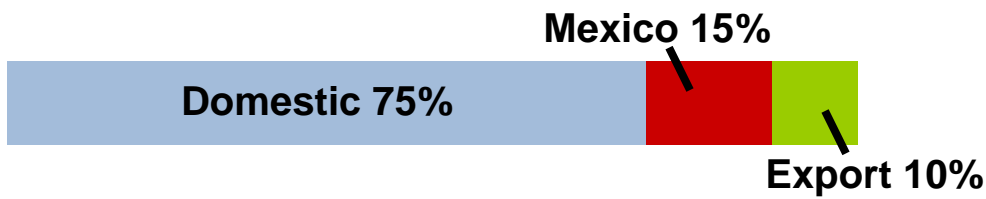
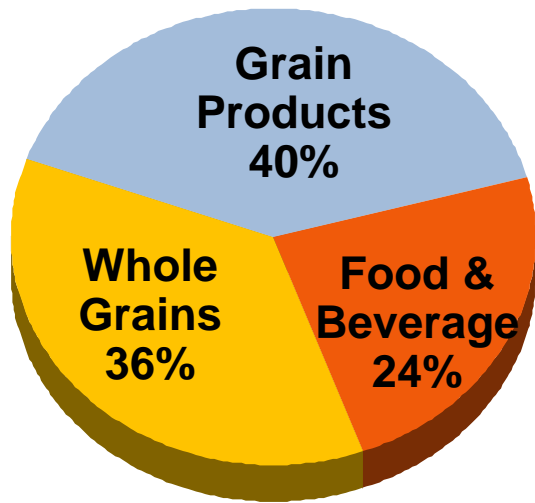


UP at a Glance

▪ Miles of Track	32,300 in 23 States
▪ Employees	49,000+
▪ Customers	25,000
▪ Locomotives	8,700+
▪ Freight Cars	94,000+

Union Pacific Railroad Agricultural Products

Revenue Mix



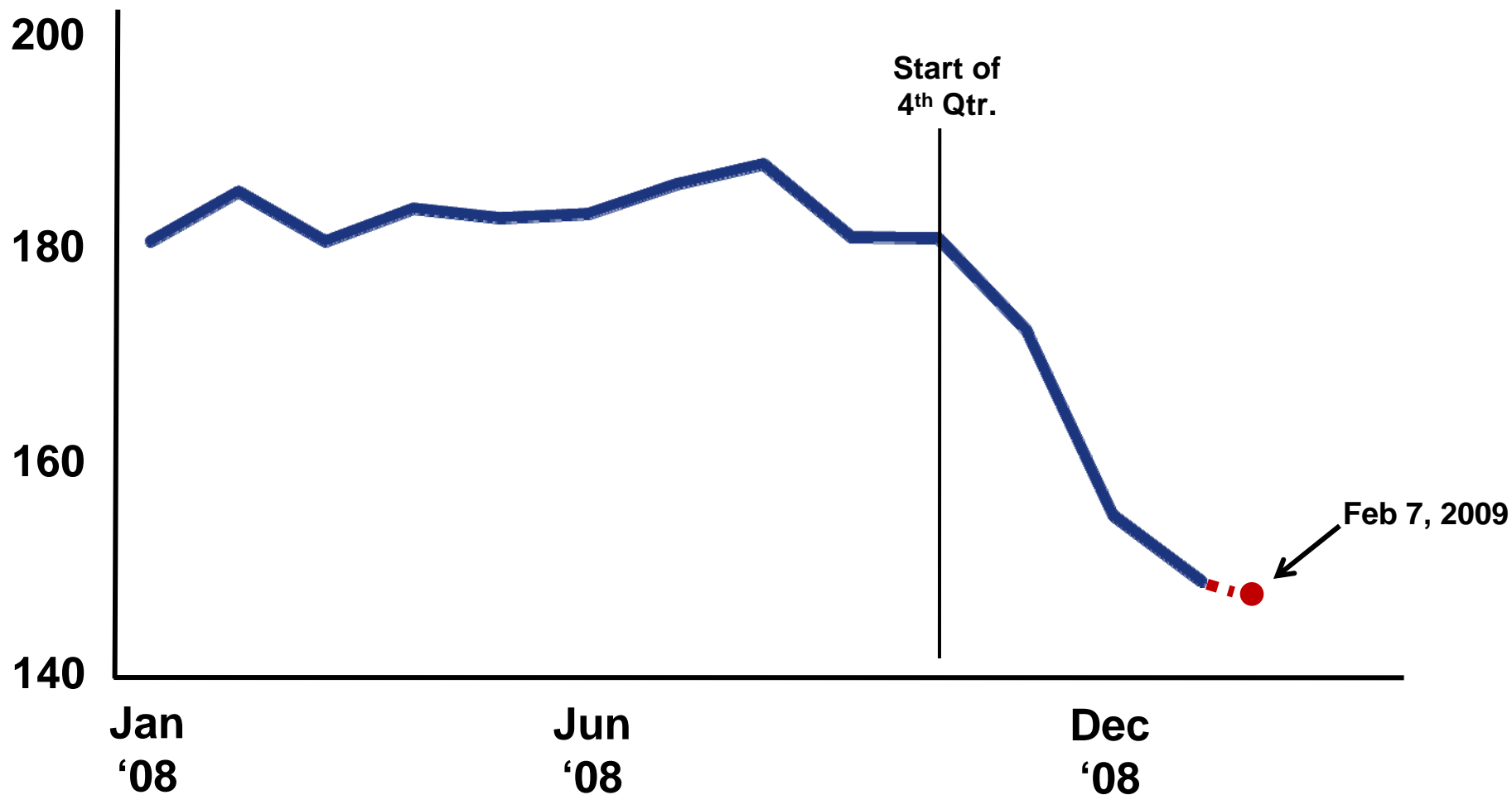
Agricultural Density Map

Lane thickness depicts carload density



Rapid Volume Decline

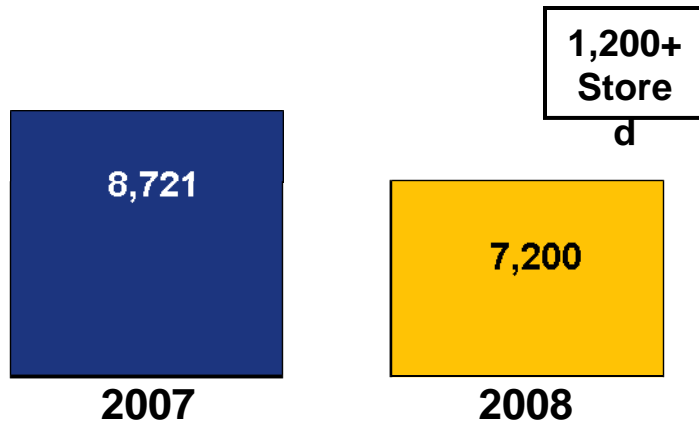
7-Day Carloadings (000s)



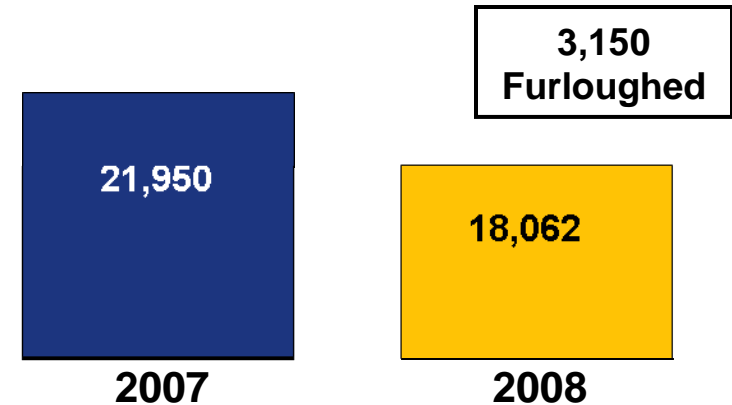
Resource Update

Year-End

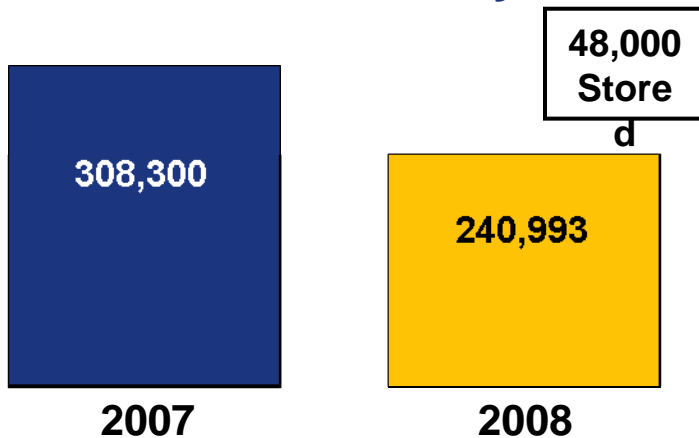
Locomotives



TE&Y Employees



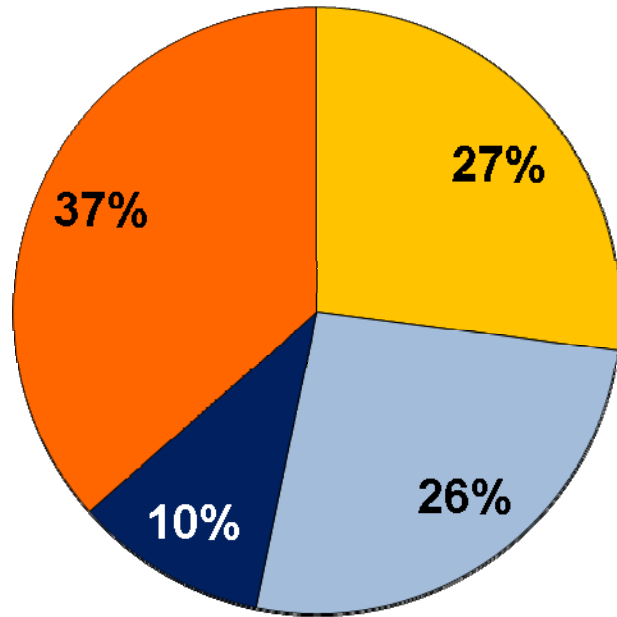
AAR Inventory



* Represents Year-End Levels Minus Extra Resources

Rail Impact on Transportation

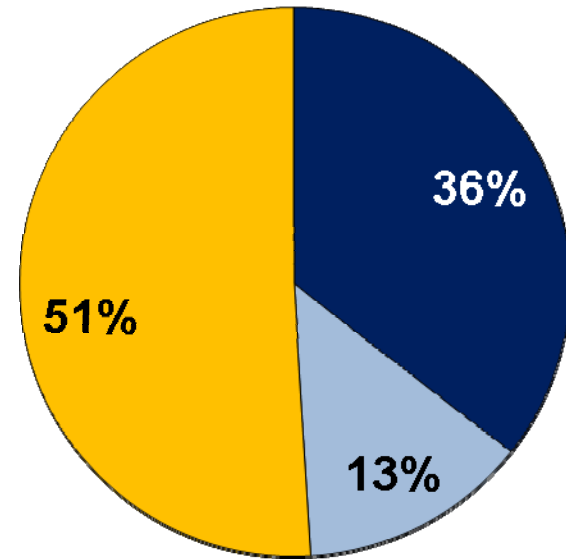
US Rail Shipments



- Intermodal
- Coal
- Ag
- Other Carload

Source: AAR, 2008

Modal Share Ag Freight

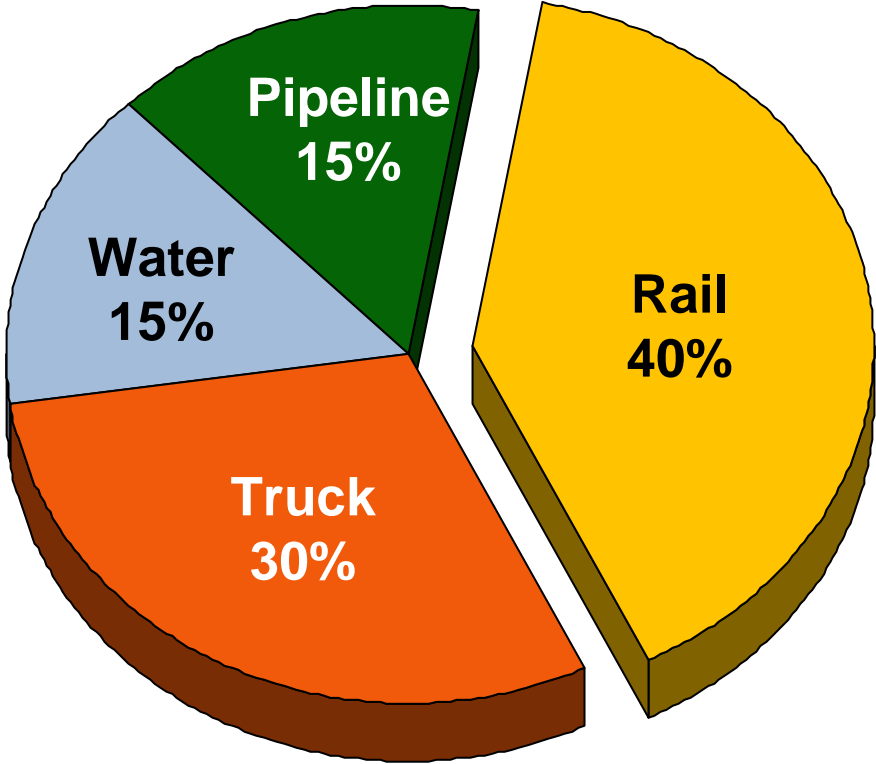


- Rail
- Barge
- Truck

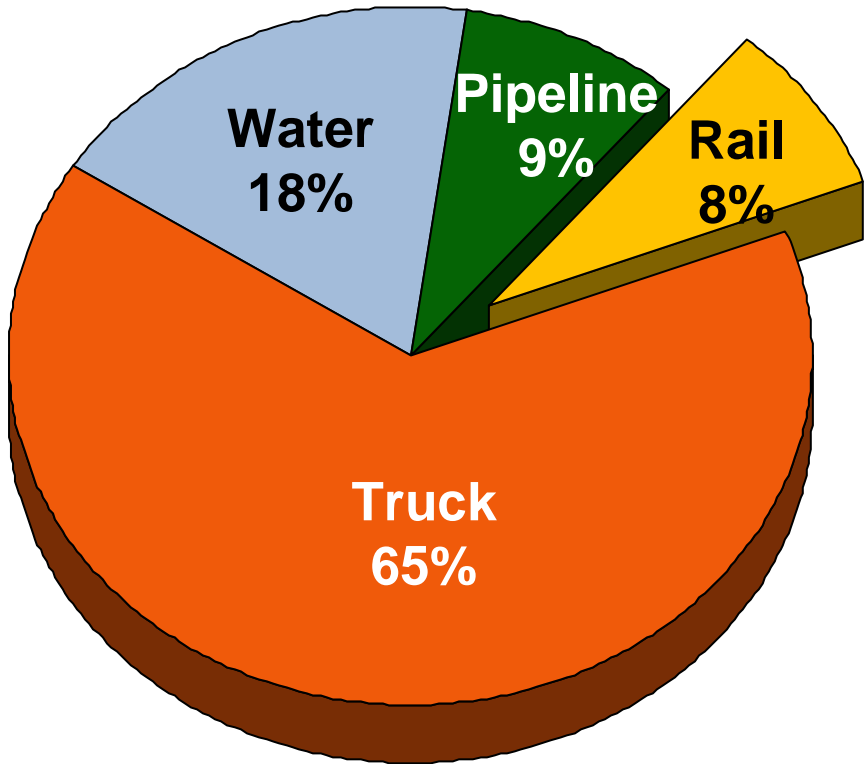
Source: USDA – Ag Marketing Service, 2006

Rail Efficiency

U. S. Freight Ton-Miles by Mode* 2005



Energy Consumption by Mode** 2005



*Source: U. S. Bureau of Transportation Statistics

**Source: U. S. Department of Transportation

Role of Railroads with U.S. Agriculture

- Infrastructure and Equipment
- Service
- Productivity
- Market Access



Infrastructure and Equipment

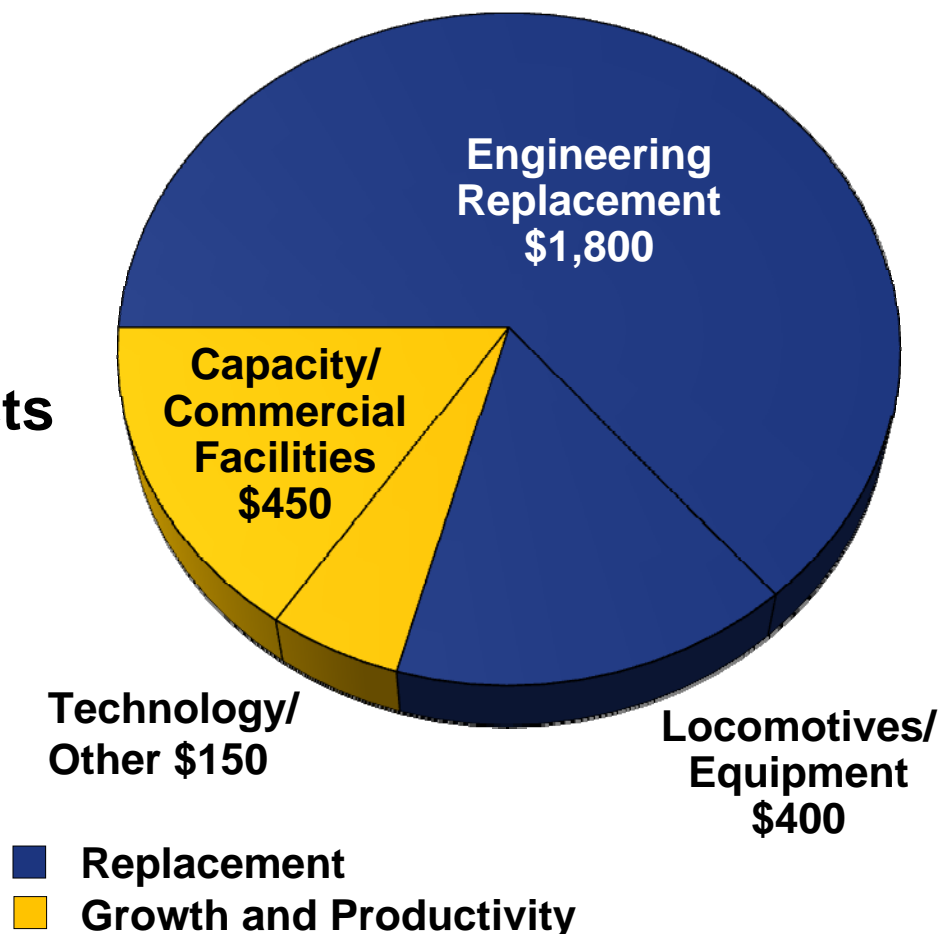


Infrastructure and Equipment

2009 UP Capital Investments

- Replacement /Renewal Programs
 - Safety
 - Velocity
 - Throughput
- Long Term Growth Projects
 - Sunset /Intermodal
 - Coal Capacity/Red X
- Enhance Throughput Productivity

\$2.8 Billion Capital Plan - UP
In Millions



Infrastructure and Equipment

Impacting UP Agricultural Products

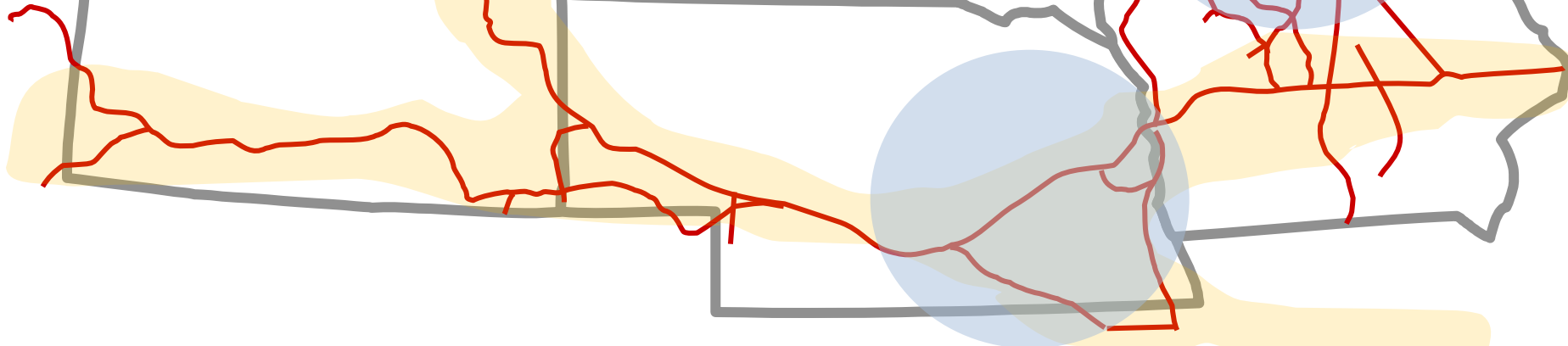


Red "X"

- 40% of UP Business Traverses Corridor
- Large Capital Spend Will Benefit Ag Products

Capital Spend to Support Ag Products Growth

- \$75 Million in IA/ MN
- \$19 Million in NE



Service

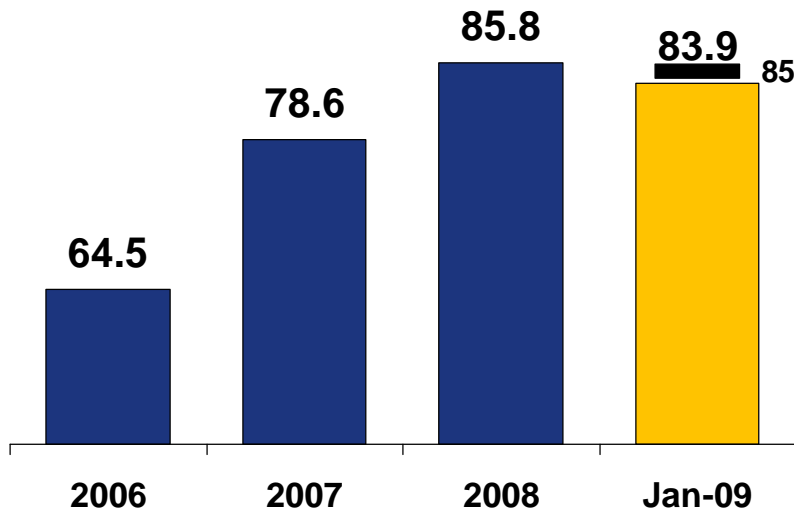


Ag Unit

Release to Train Arrival – 4%

Good ↑

Best:
Yr: 86.1 (2008)
Mth: 95.0 (5/08)

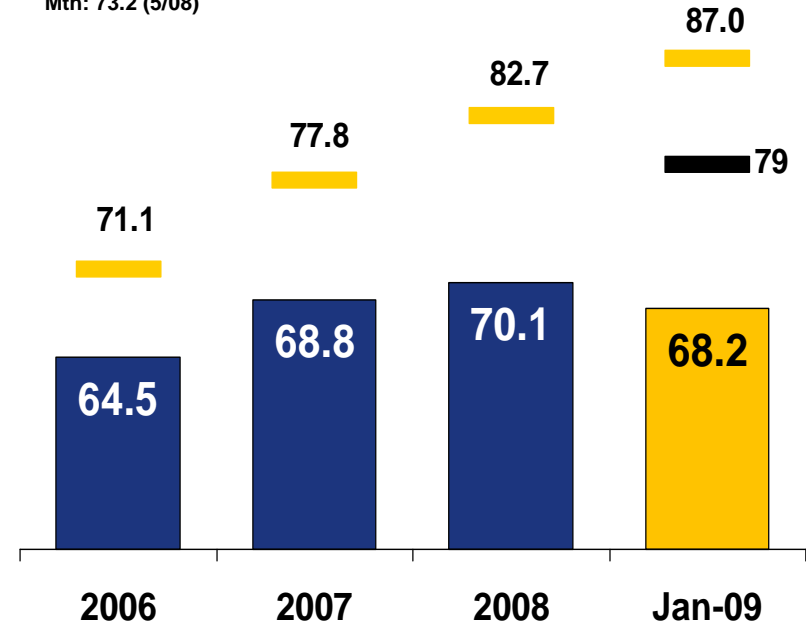


Ag Manifest

TPC – 8%

Good ↑

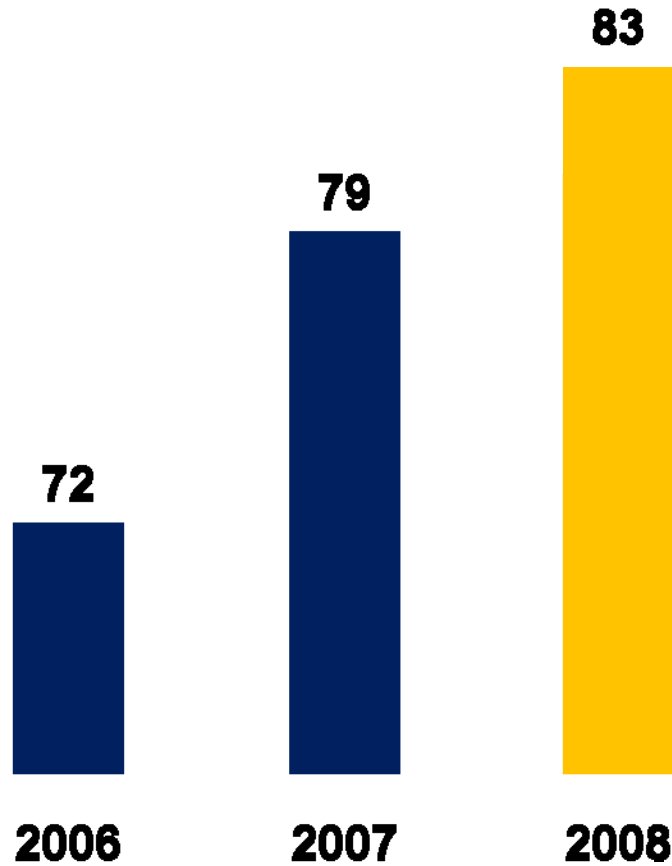
Best:
Yr: 70.1 (2008)
Mth: 73.2 (5/08)



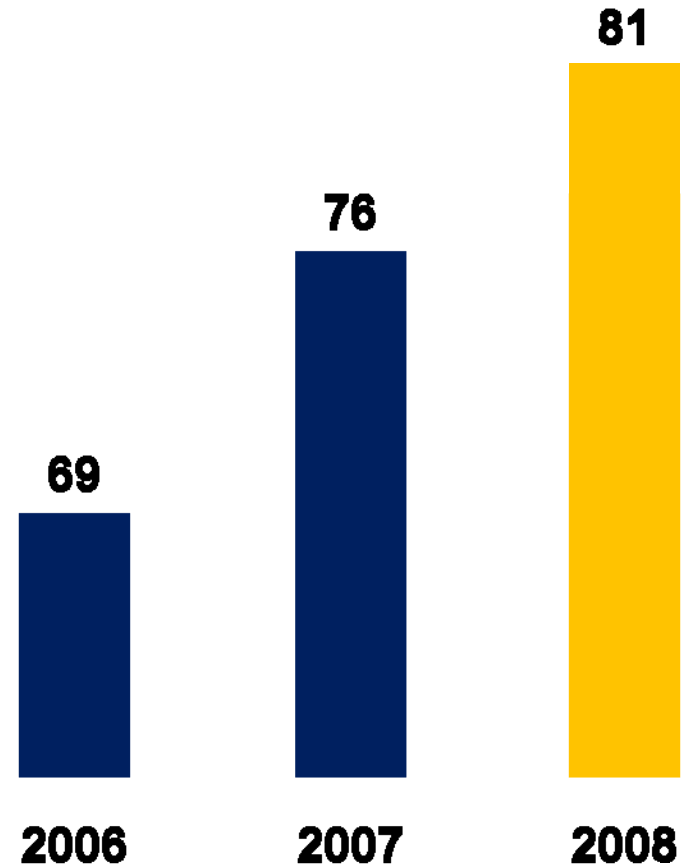
Service

Customer Satisfaction Index – Union Pacific

Total Union Pacific

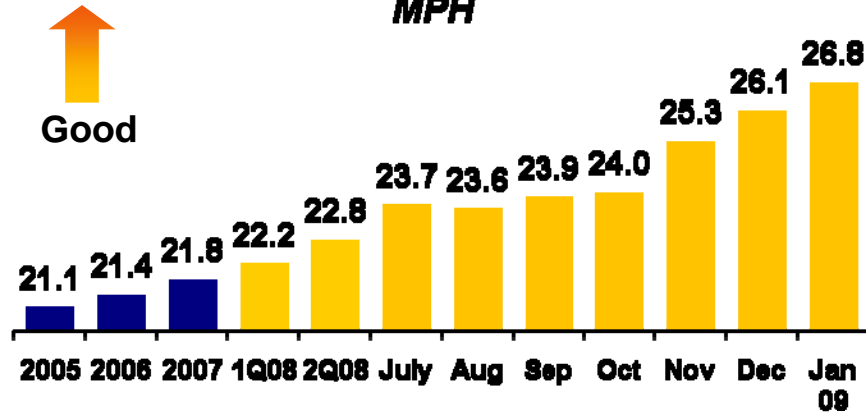


Union Pacific Ag Products

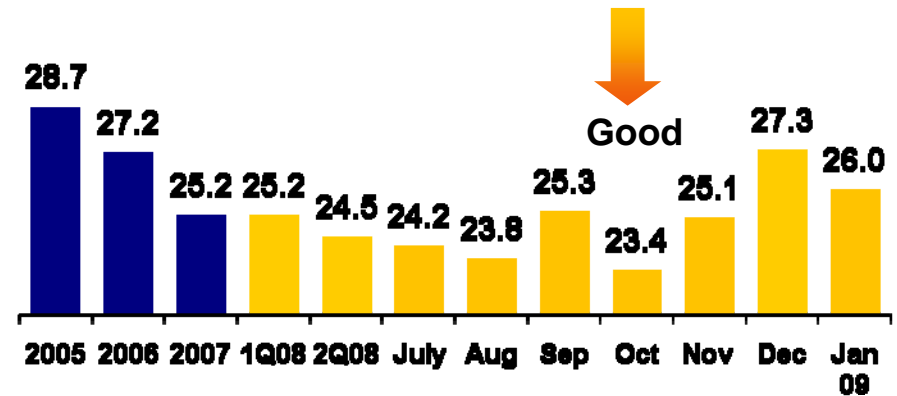


Productivity Measures

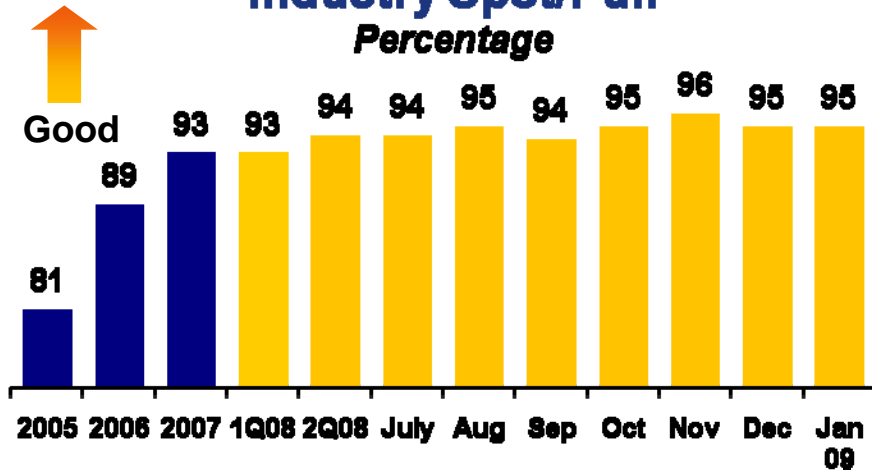
AAR Velocity MPH



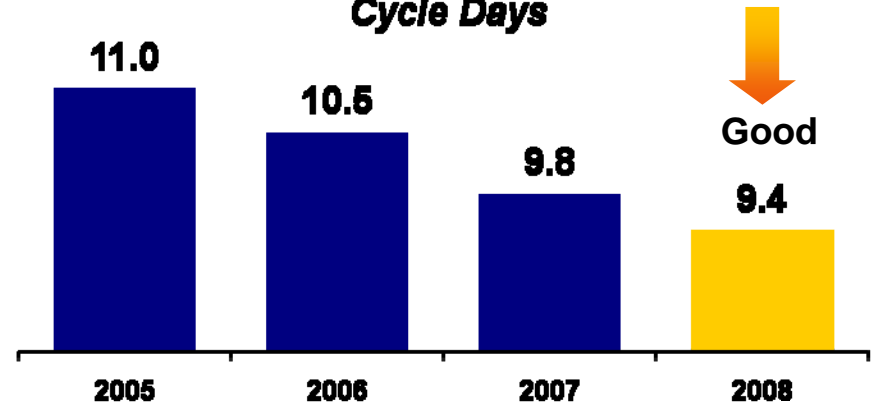
AAR Terminal Dwell Hours



Industry Spot/Pull Percentage

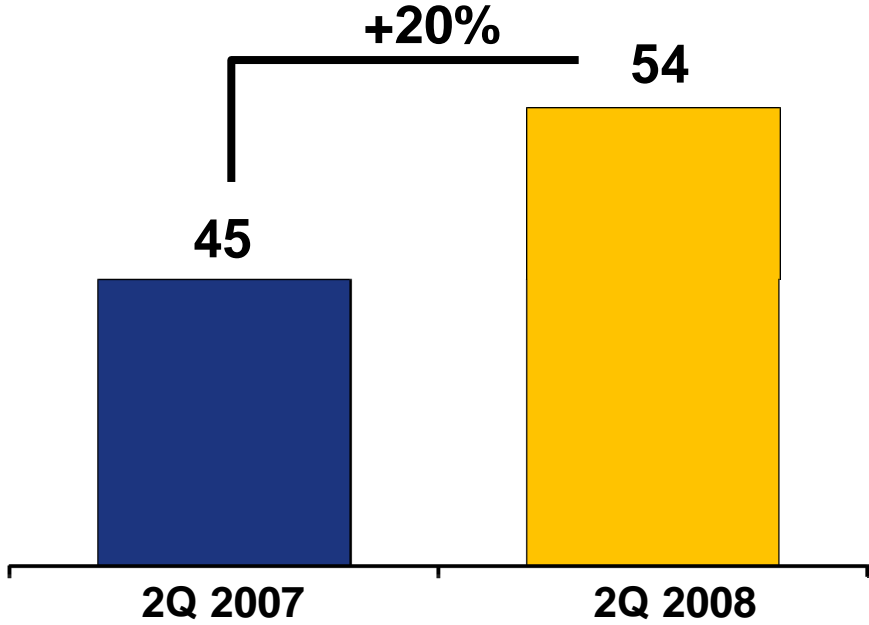


Freight Car Utilization Cycle Days

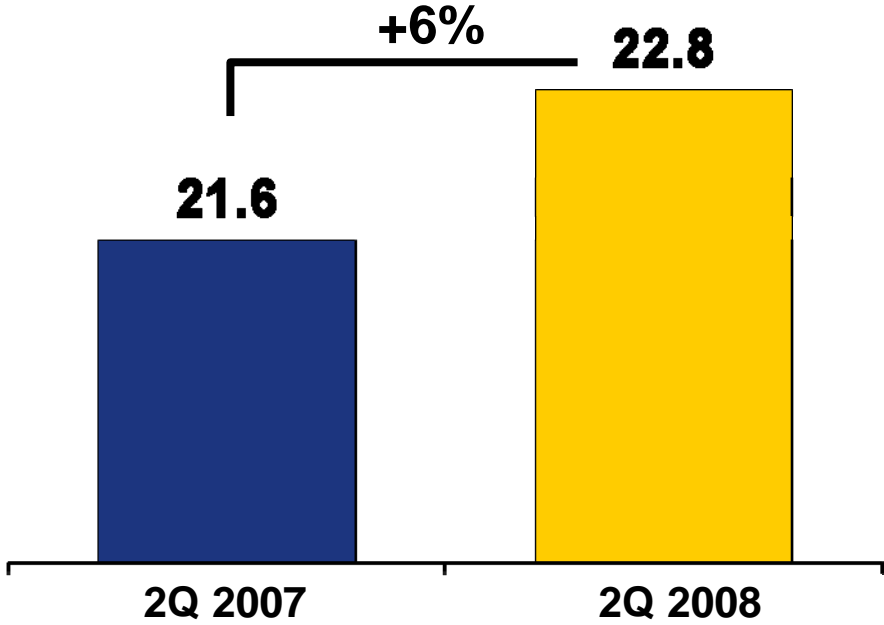


Recoverability & Process Initiatives

Network Interruption Days*



Velocity (MPH)



*Defined as a day with Hours Held \geq 50Hrs for Weather and/or Incident

Technology Improvements

- Distributed Power
- Unit Train
- Customer Interface
- Computer Aided Dispatching III
- Electronic Control Pneumatic Braking
- Communication-based Train Control

Conventional Train Operations



Distributed Power Train Operations



Market Access

Linking Production and Consumption - Ag Products

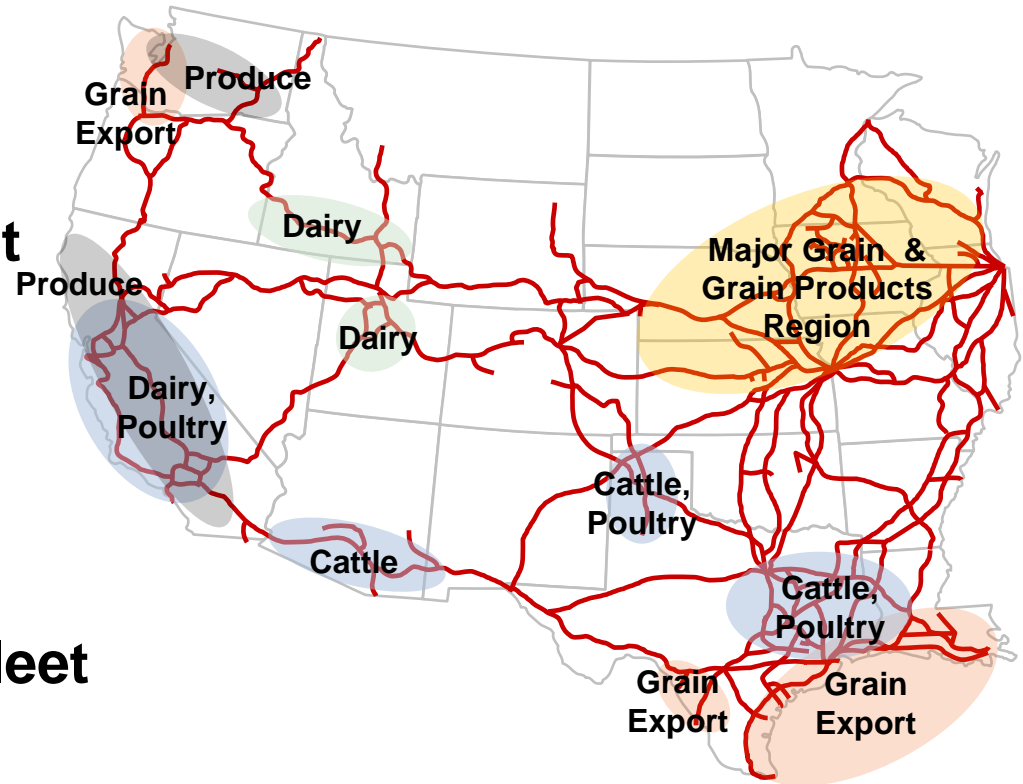
■ Access

- Major Grain and Produce Regions
- Flexibility to Meet Demands of the Market

- Ethanol
- Feed/Processors
- Export

■ Infrastructure

- Refrigerated Boxcar Fleet



Rail Transportation Issues

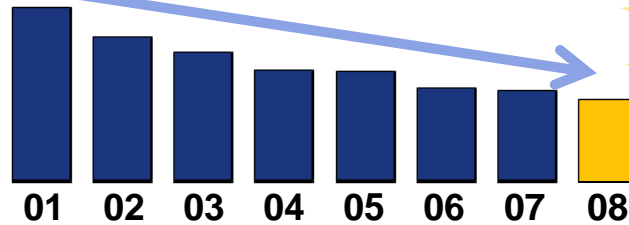
- **Safety**
- **Shipment Variability**
- **Capacity**
- **Capital**
- **Legislative Policy**



Safety- “Zero Tolerance”



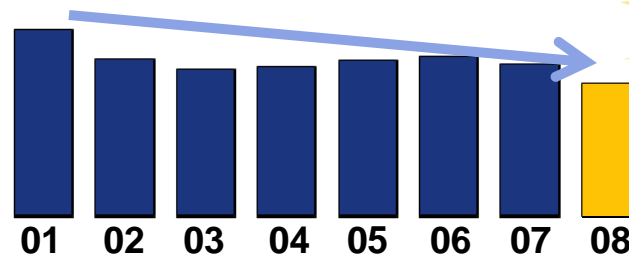
*Personal Injury Incidents Per
200,000 Man-Hours*



54% Improvement



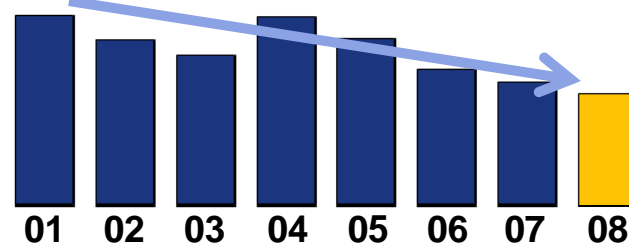
*Crossing Accidents Per
Million Train Miles*



29% Improvement



*Incidents Per Million
Train Miles*

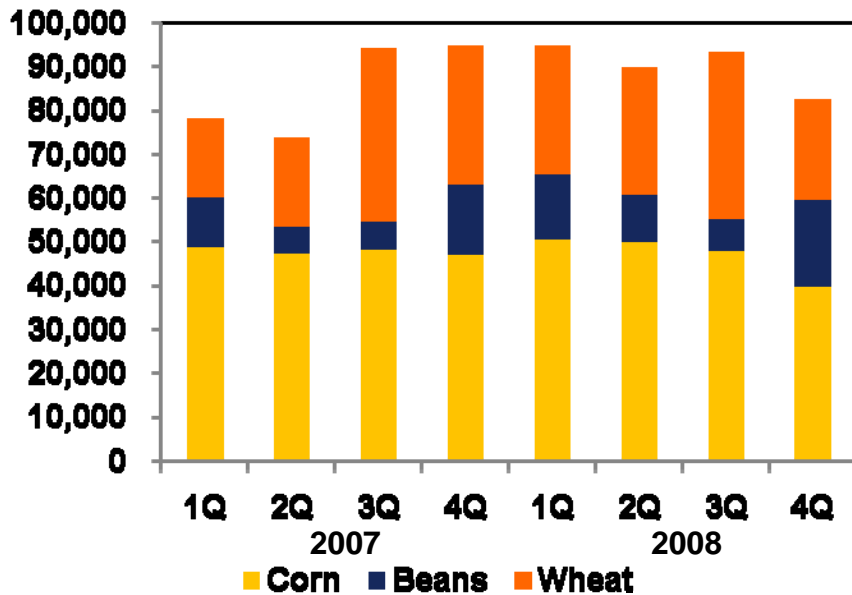


41% Improvement

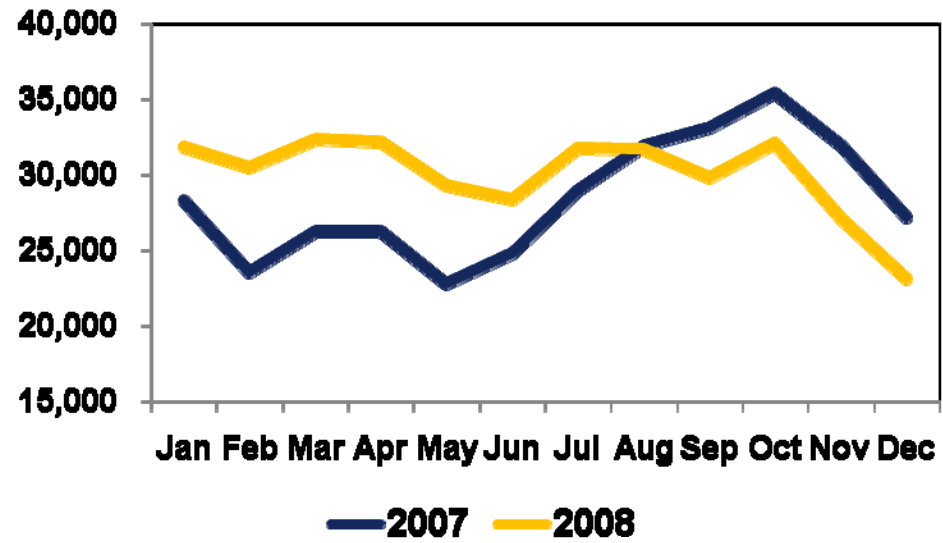
Railroad Issues

Shipment Variability - Grain

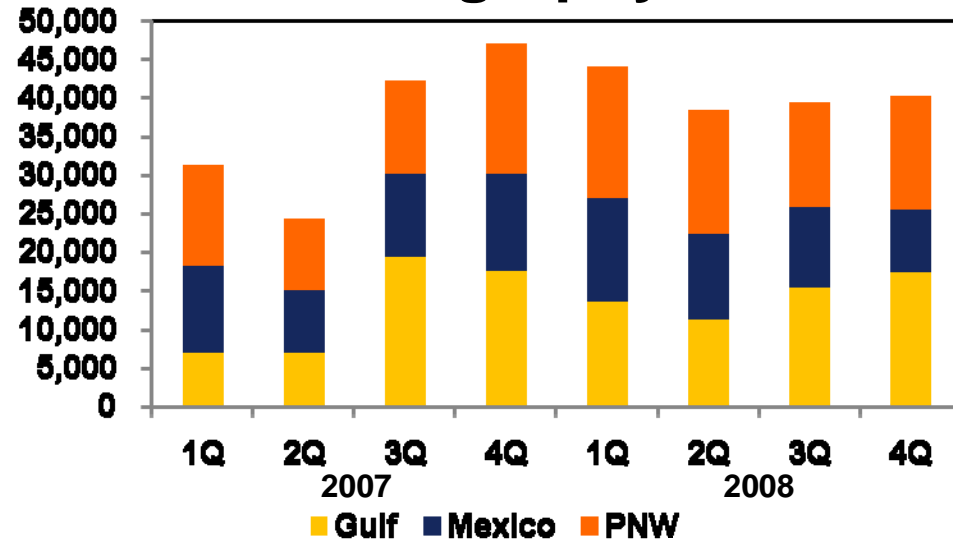
Commodity



Time



Geography



5 Critical Resources

Shared & Interconnected



Workforce



Main Lines



Locomotives



Freight Cars

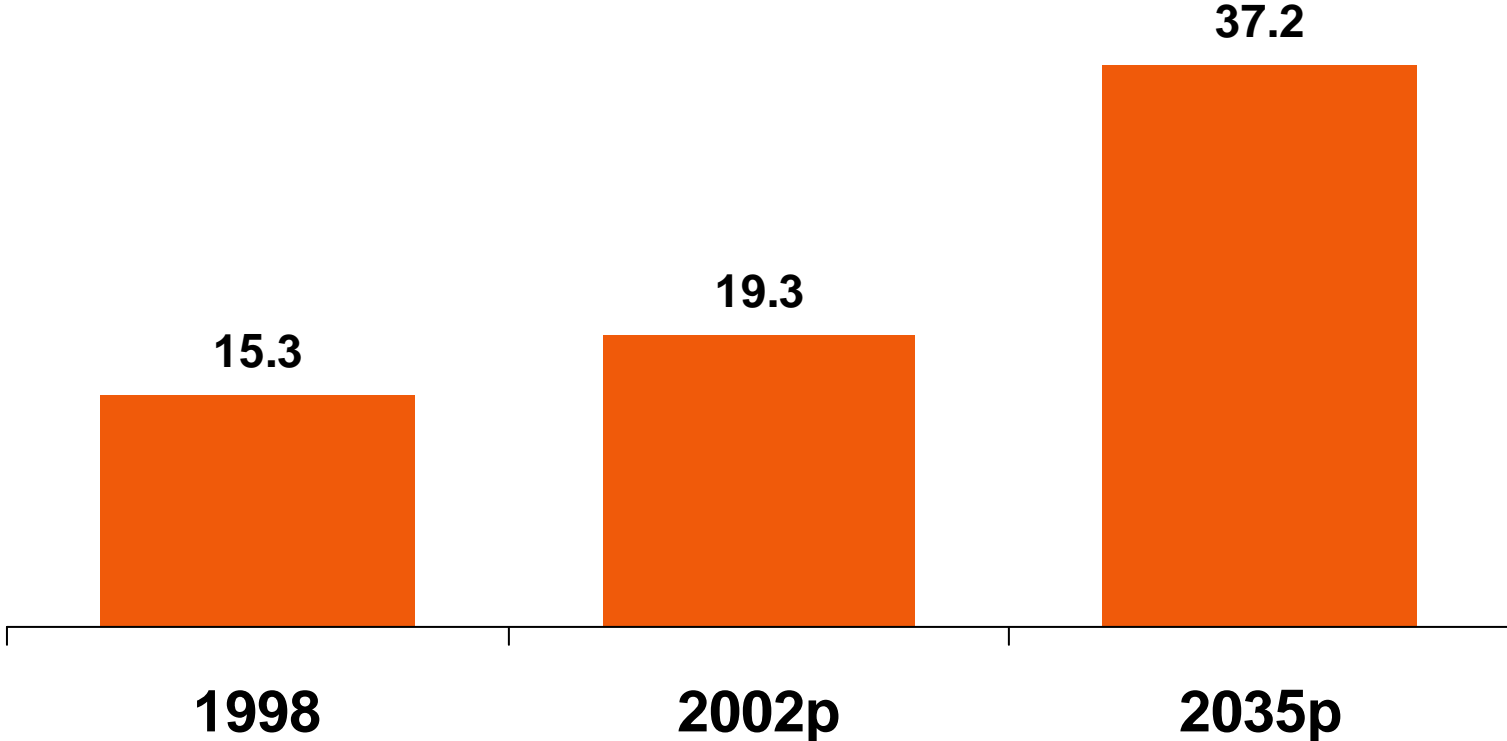


Terminals

Railroad Issues

Freight Demand Growing....

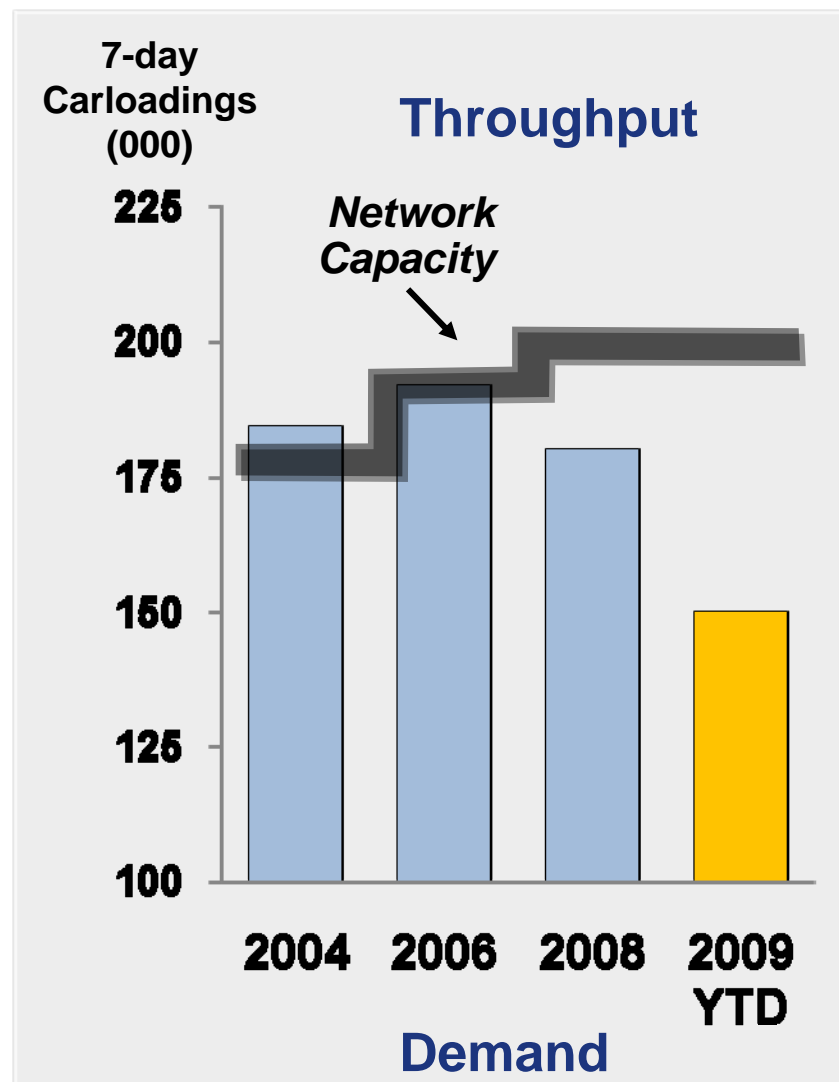
Billions of Tons of Freight Transported in the U.S.



p – preliminary
Source: U.S. DOT - Freight Analysis Framework, 2002 & 2006

Capacity Challenges

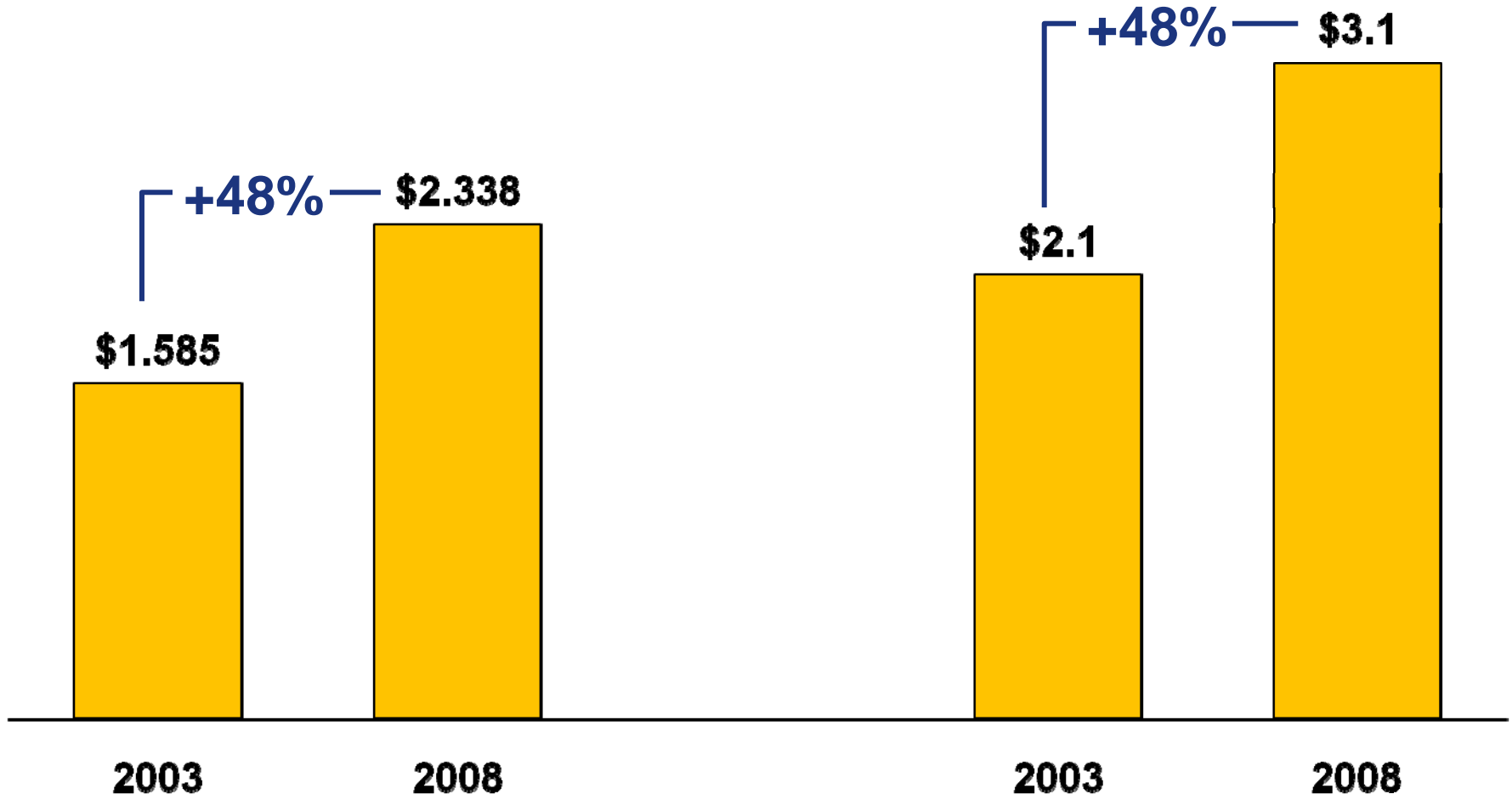
- **Economy**
 - Recession hasn't hit bottom
 - Costly assets in storage
- **Washington**
 - Balanced regulation
 - Conflicting oversight with anti-trust bill
- **State & local government**
 - Increased interest in commuter rail
 - Rail expansion



Railroad Issues

Capital Spending - UP

Net Income
(\$ in billions)



**Includes cash capital, non-cash capital and lease financings*

Rail Issues

Legislative Policy

- **Anti-Trust Exemption**
 - Mergers
 - Equipment Pooling
- **Investment Tax Credit**
 - 25%
 - New Construction That Expands Rail Capacity
 - Railroads, Shippers, Receivers All Eligible

2009 Outlook

- **Overall US Economy**
- **Exports**
- **Domestic Feeding**
- **Bio-fuels**
- **Ocean Freight**



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