

# 2009– Challenges & Solutions



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# Challenges

## *Influencing Transportation Demand in 2009 and Beyond*



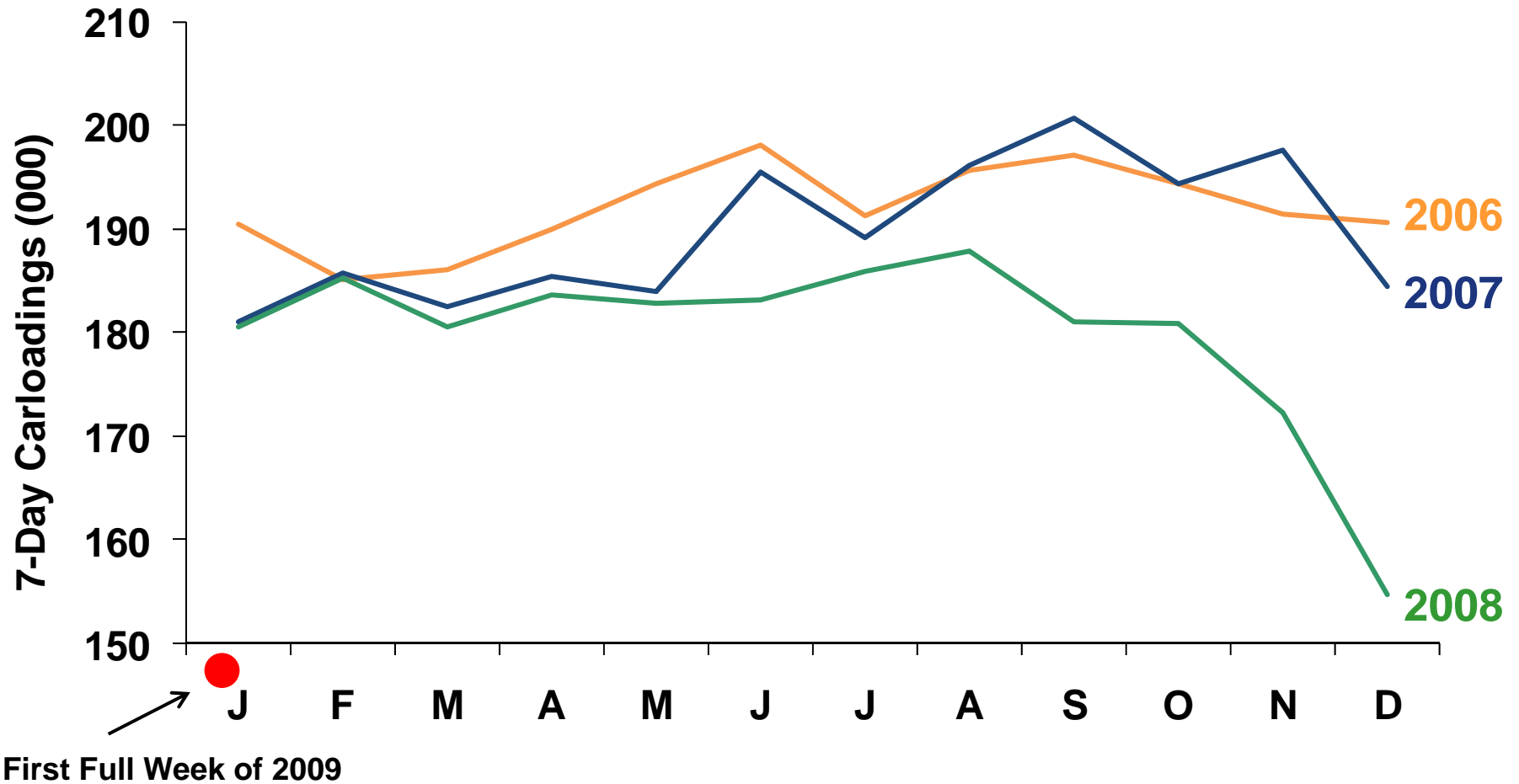
# Challenges

## *Influencing Transportation Demand in 2009 and Beyond*



# Economic Downturn

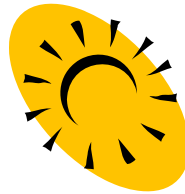
## UP Volume



First Full Week of 2009

# Economy

## 2009 Outlook

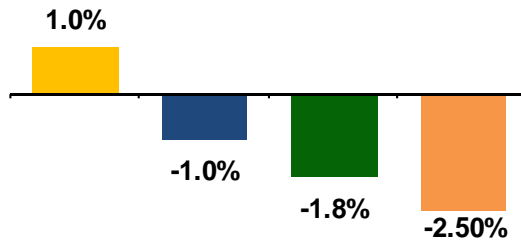


	<u>2005</u>	<u>2008</u>	<u>2009</u>
<b>GDP</b>	<b>2.9%</b>	<b>1.2%</b>	<b>(2.5%)</b>
<b>Industrial Production</b>	<b>3.3%</b>	<b>(1.6%)</b>	<b>(7.6%)</b>
<b>Housing Starts (MM)</b>	<b>2.1</b>	<b>0.91</b>	<b>0.60</b>
<b>Vehicle Sales (MM)</b>	<b>17.0</b>	<b>13.1</b>	<b>10.3</b>
<b>Exports</b>	<b>7.0%</b>	<b>6.4%</b>	<b>(7.0%)</b>
<b>Imports</b>	<b>5.9%</b>	<b>(3.1%)</b>	<b>(9.6%)</b>

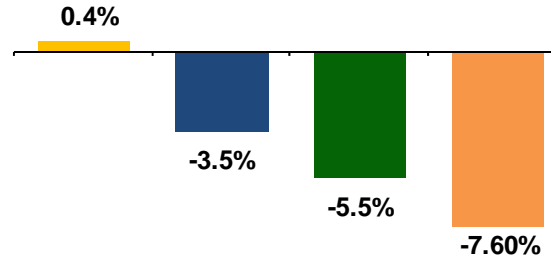
# Economy

## Rapid Decline in 2009 Outlook

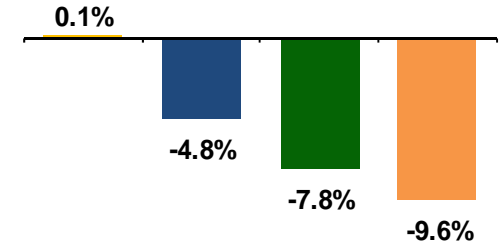
### GDP



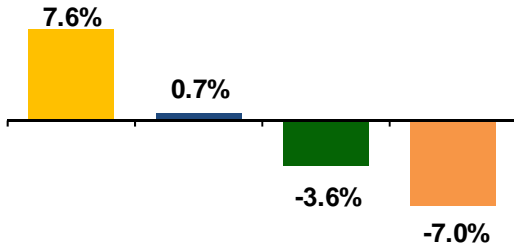
### Industrial Production



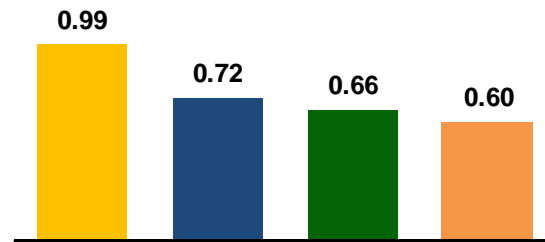
### Imports



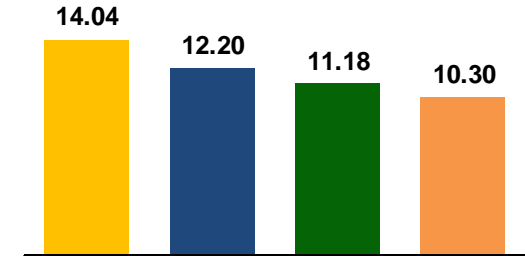
### Exports



### Housing Starts (millions)



### Light Vehicle Sales (millions)



August Base Case    November Base Case    December Base Case    January Base Case

# Economy

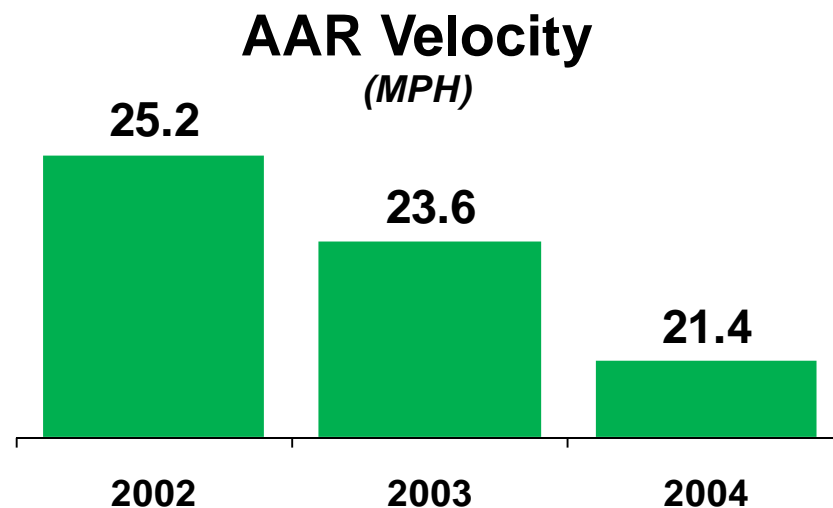
## *More Questions Than Answers in Uncertain Times*

- **Companies on the Edge**
  - Will Bankruptcies Create a Domino Effect?
- **Impact of Government Involvement**
  - Will Bailouts and Loans Turn Things Around?
  - Will Lower Interest Rates Stimulate Demand?
- **American Recovery & Reinvestment Plan**
  - How Soon Will It Be Enacted and What Will It Contain?
  - How Long Will It Take to Stimulate the Economy?

***It All Comes Down to Jobs***

# Past Railroad Reaction to Economic Downturn

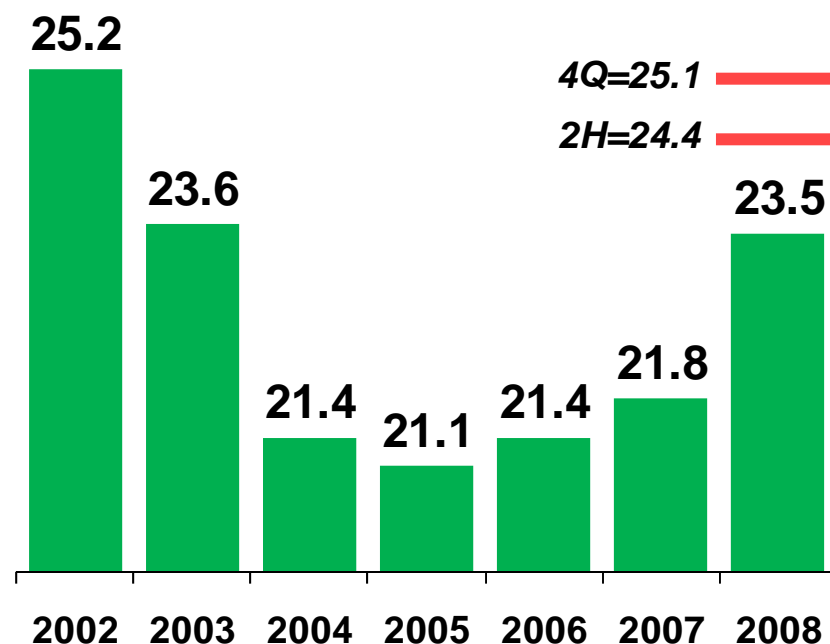
- Reduce Costs
- Cut Capital Investment
- Downsize the Workforce



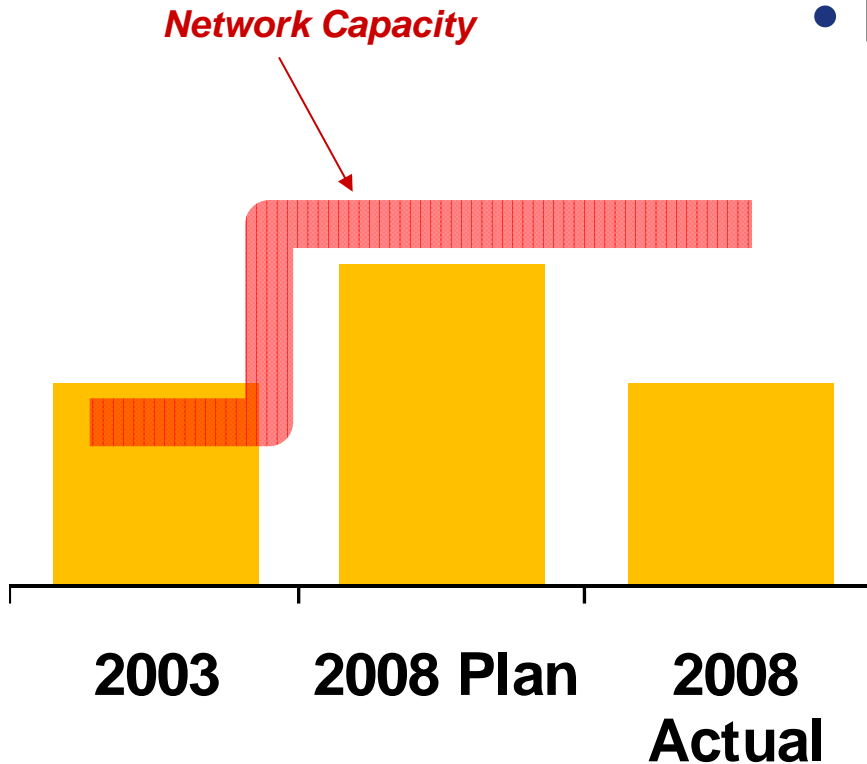
# Slow Road to Recovery

- Since 2003:
  - Hired Over 29,000 Employees
  - Acquired Over 2,000 Locomotives and 13,000 Freight Cars
  - Invested Over \$16 Billion in Capital

**AAR Velocity**  
(MPH)



# The Challenge Today

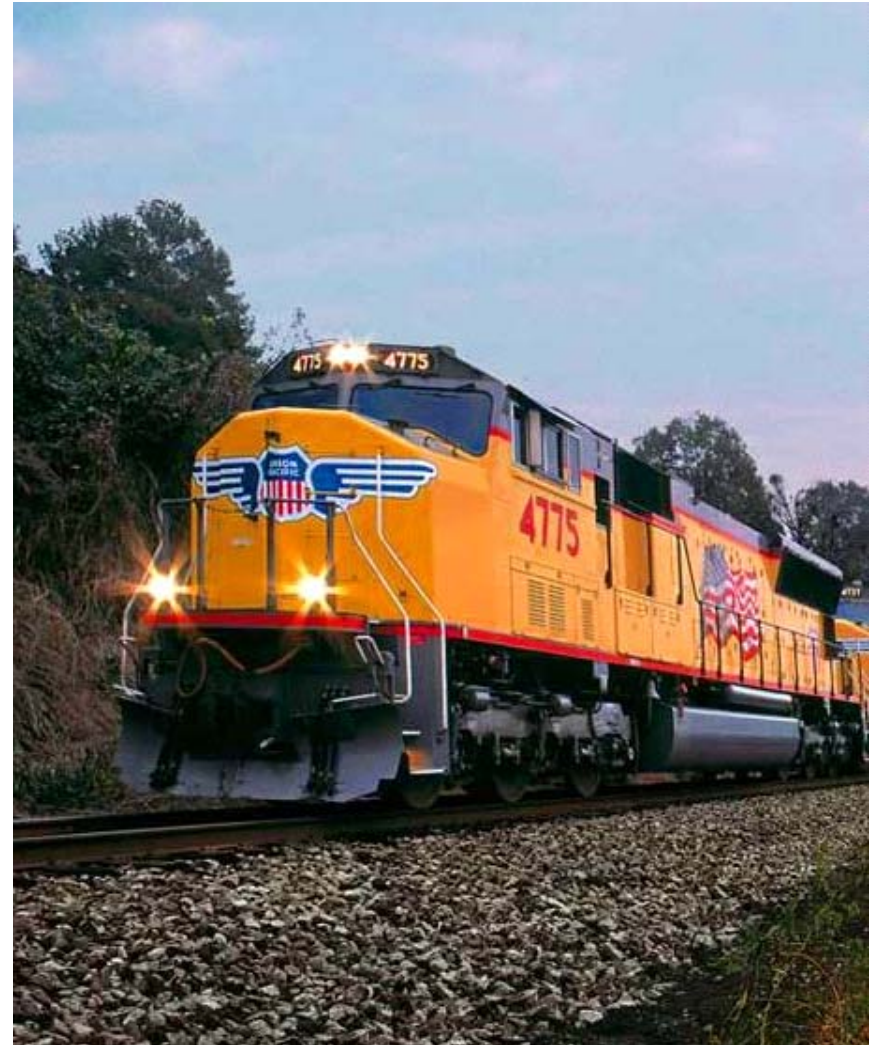


- **Resources**

- **Furloughed Employees**
- **Locomotives Stored**
- **Freight Cars Stored**

# A Better Solution... Create Customer Value!

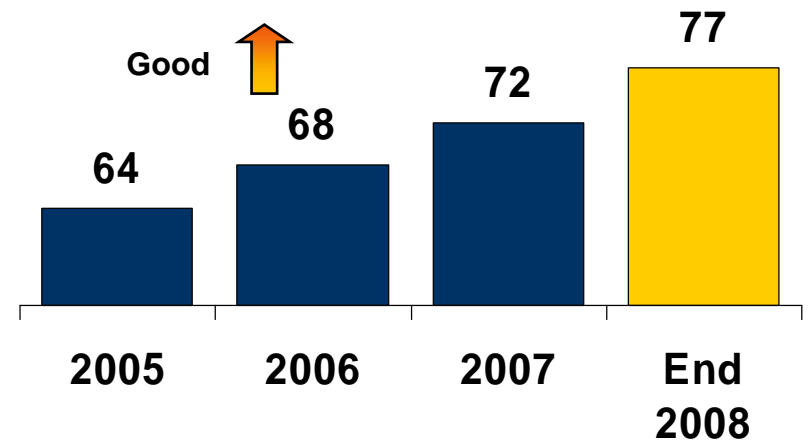
- Drive Further Improvement in Service
- Invest for the Future
- Provide Wide-Ranging Options for Shippers



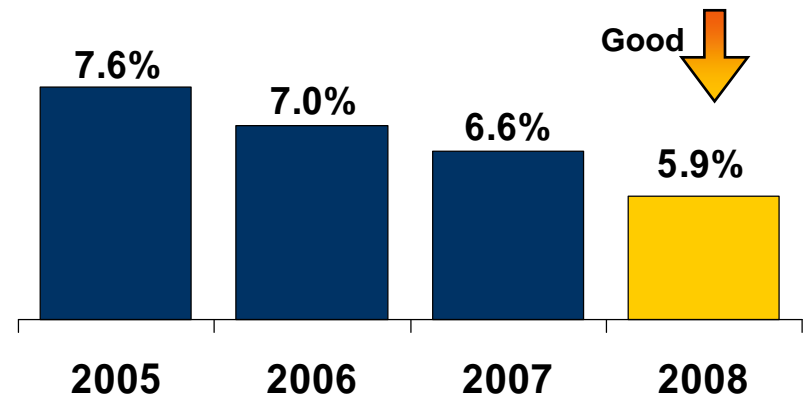
# Drive Further Improvement in Service

- **Design for Achievability**
  - **Maintain for Reliability**
    - Ongoing Network Optimization
    - Increase Network Under Regular Maintenance Schedule

**% of RR Under Regular Maintenance**



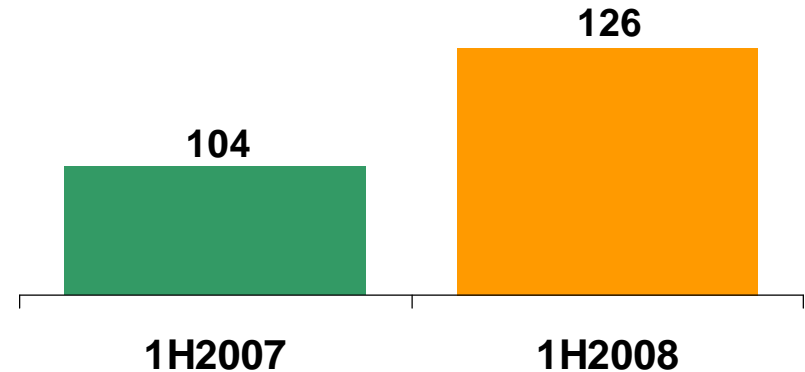
**% of Track Miles Slow Ordered**  
*Fourth Quarter*



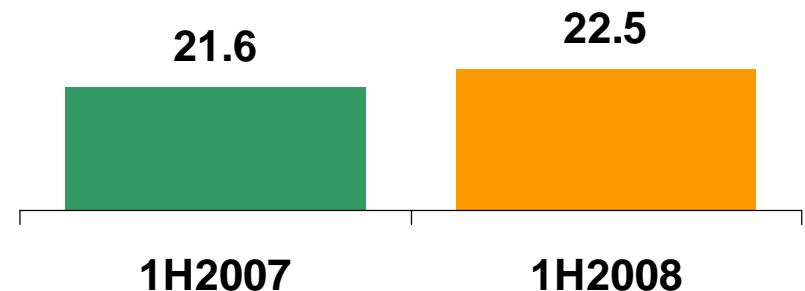
# Drive Further Improvement in Service

- **Design for Achievability**
  - **Maintain for Reliability**
    - Ongoing Network Optimization
    - Increase Network Under Regular Maintenance Schedule
- **Maintain Surge Capacity, Operational Agility, and Recoverability**

Network Interruption Days



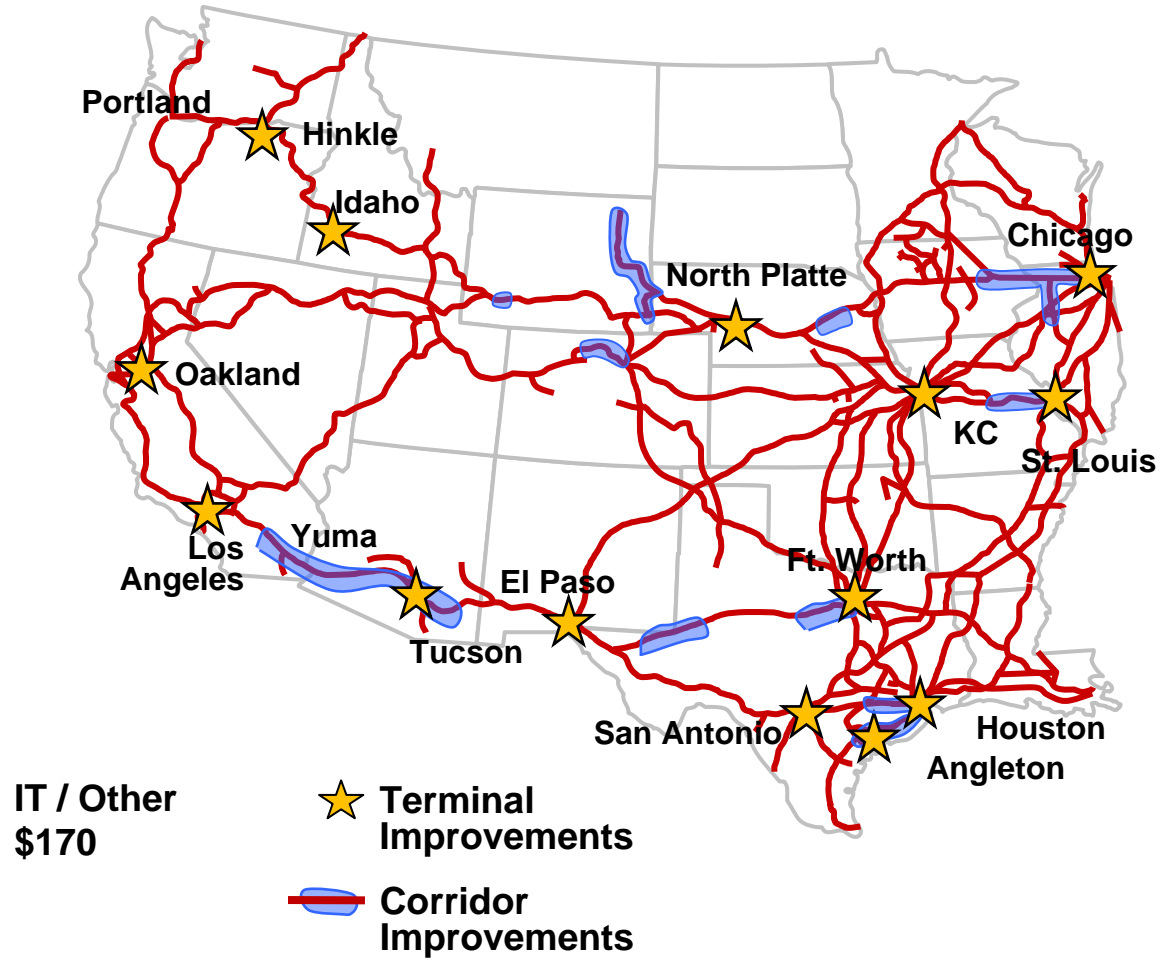
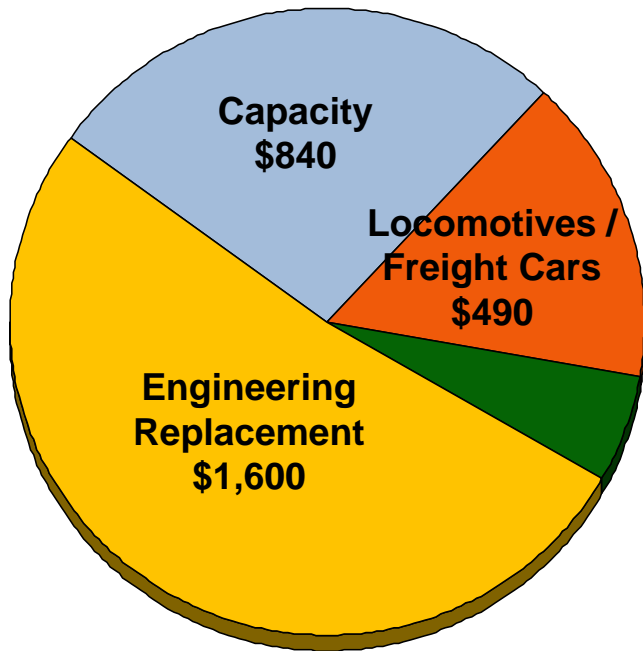
AAR Velocity



# Invest for the Future

## 2008 Capital Spending -- \$3.1 Billion

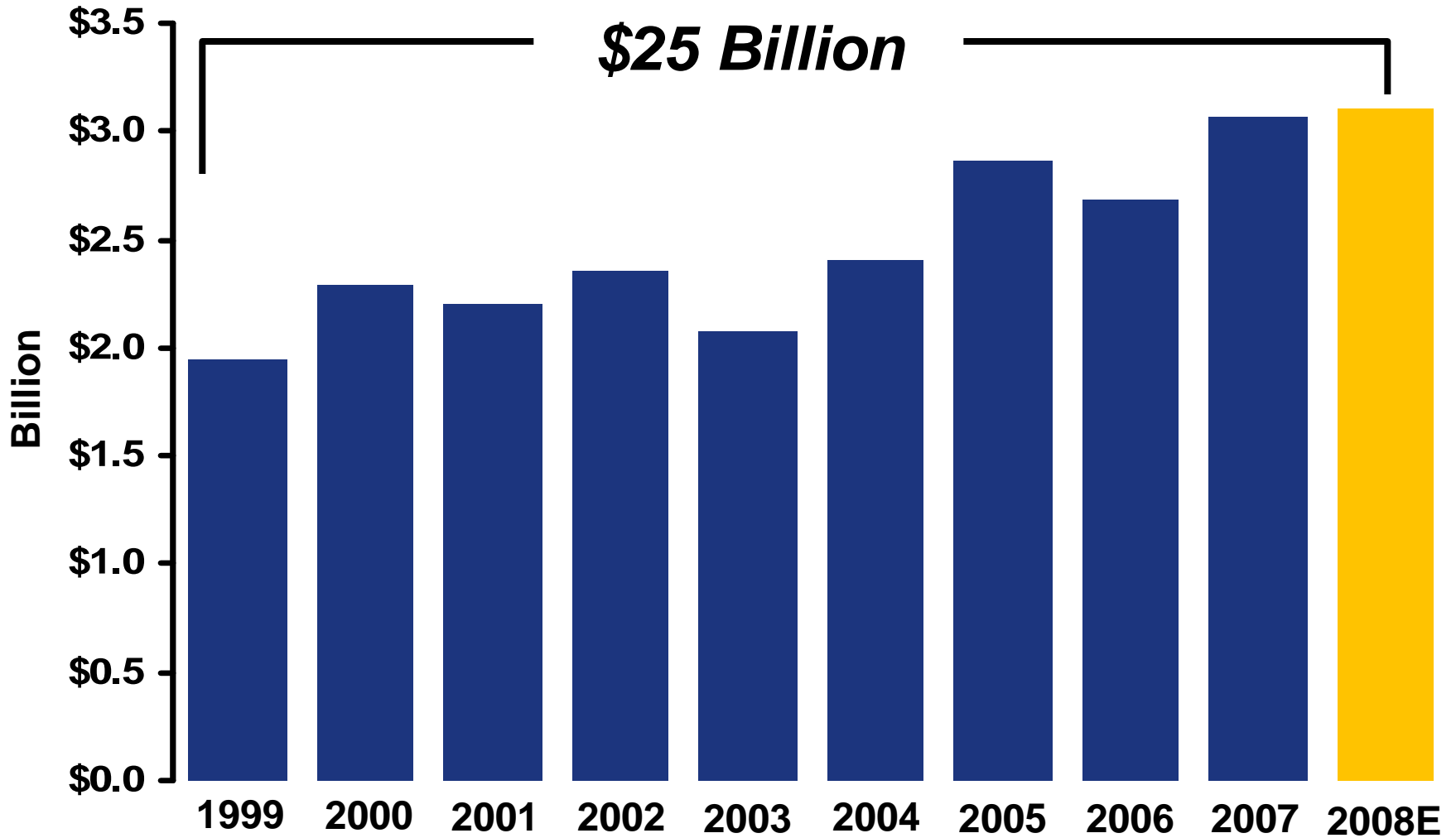
**Total Capital Plan\***  
(\$ in Millions)



\*Includes Cash Capital, Leases and Other Non-Cash Capital

# Invest for the Future

## *UP Capital Investment*

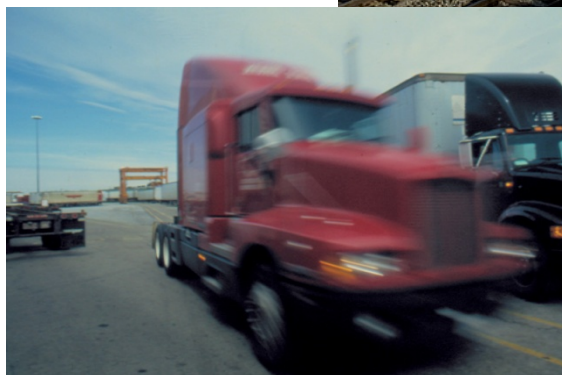


# Provide Wide-Ranging Options for Shippers

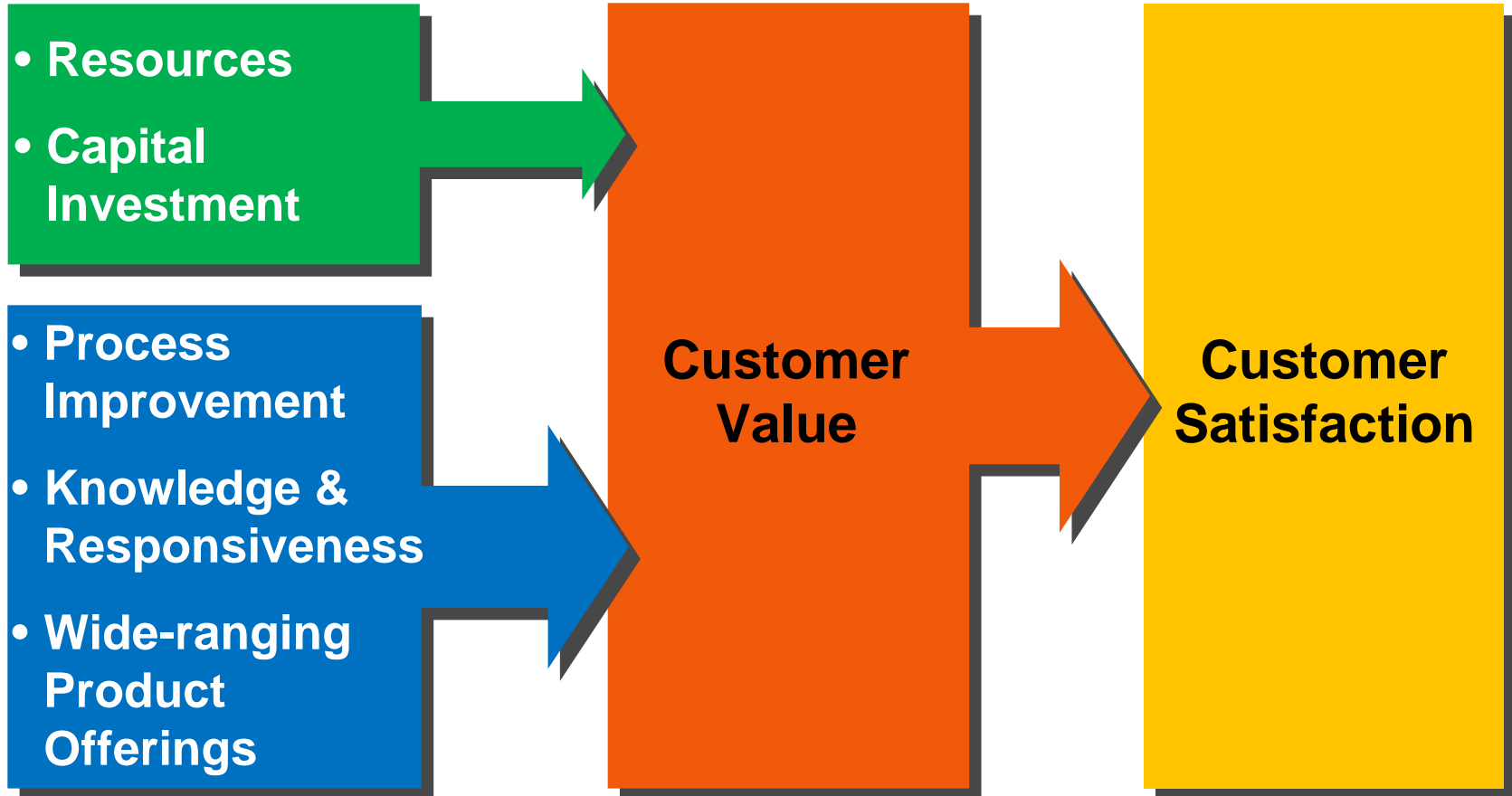
- Offer a Range of Services that Enable Shippers of all Sizes to Leverage the Cost and Environmental Advantages of Rail

- Carload
- Transload
- Team Track
- Intermodal

- Reduce Complexity

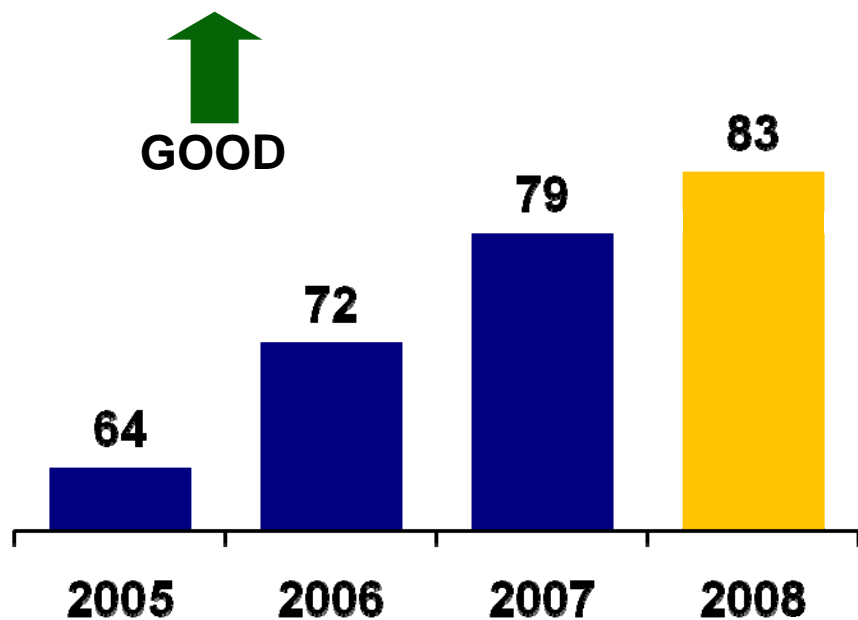


# Create Customer Value!



# Create Customer Value!

## Customer Satisfaction Index



# Going Forward...

- **Unprecedented Economic Challenge in 2009**
- **Rail is Positioned to Be a Vital Part of the Nation's Response**
- **Rail Must Be Prepared for Recovery – It Will Come**
- **Public Policy Must Support Affordable, Efficient, Environmentally Responsible Transportation**
- **Work Together to Grow**





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