

Midwest Association of Rail Shippers



Jan 15, 2009

Rich Mietz, Regional Director Sales

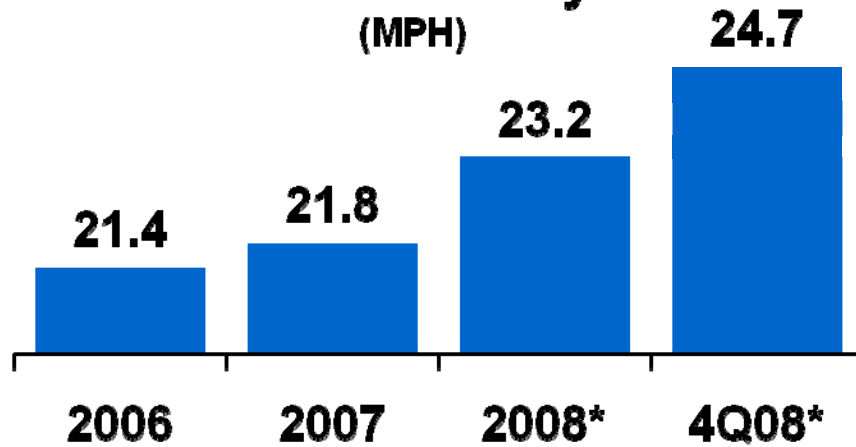
BUILDING AMERICA®



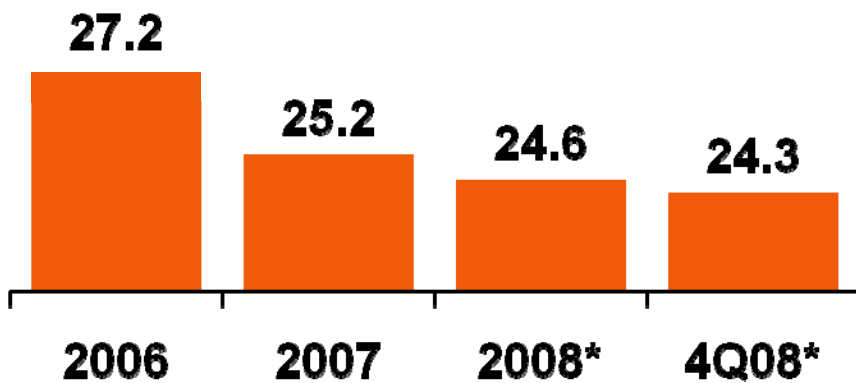
Creating Customer Value

Service + Price = Value

**AAR Velocity
(MPH)**



Car Dwell



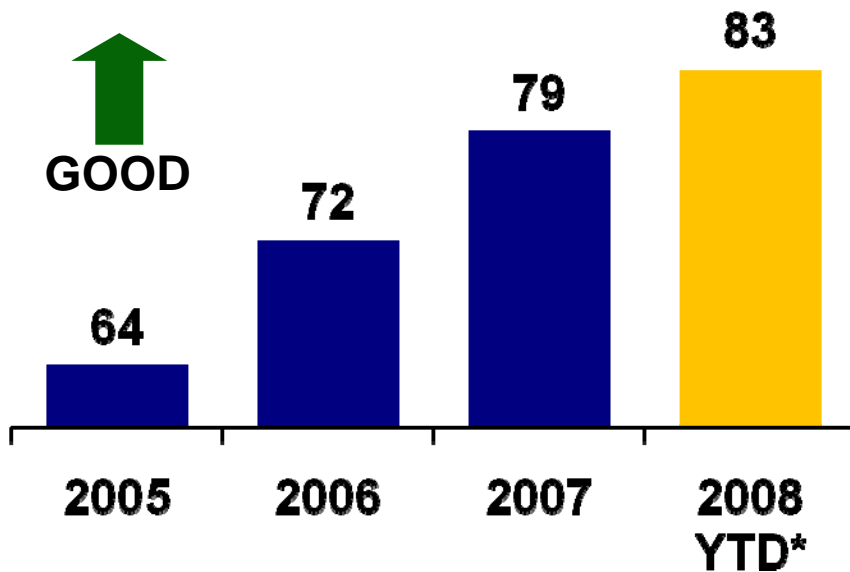
* Through November

Creating Customer Value

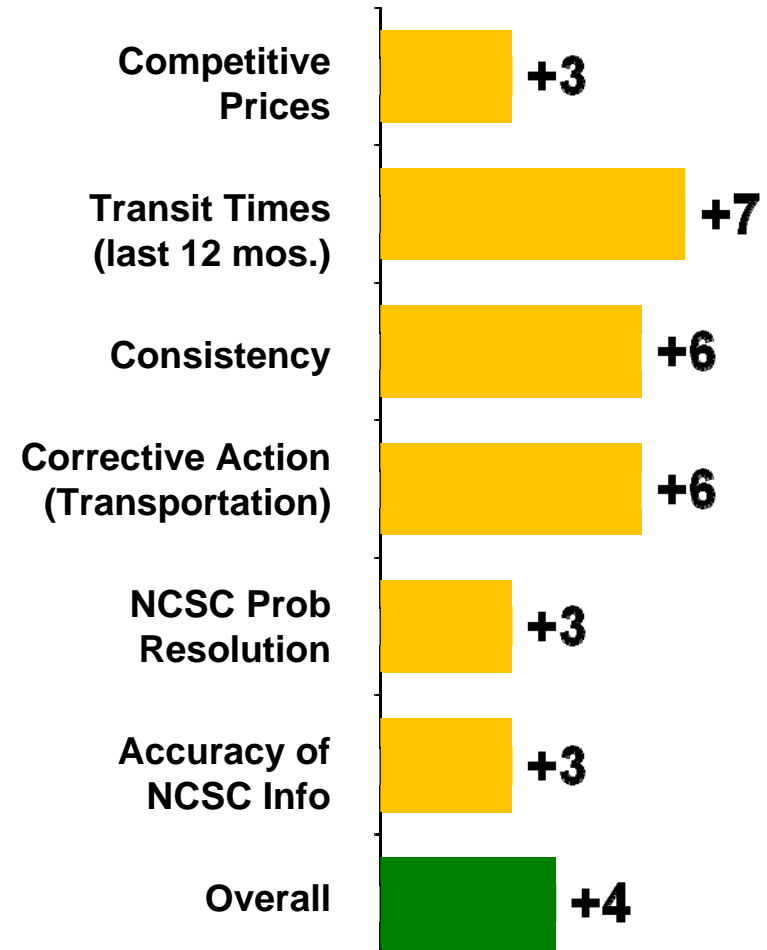
Value = Customer Satisfaction

Customer Satisfaction Index

- Best-Ever Overall Satisfaction
- 26 of 35 Questions at Best-Ever Levels



Satisfaction Key Drivers (2008* vs 2007*)

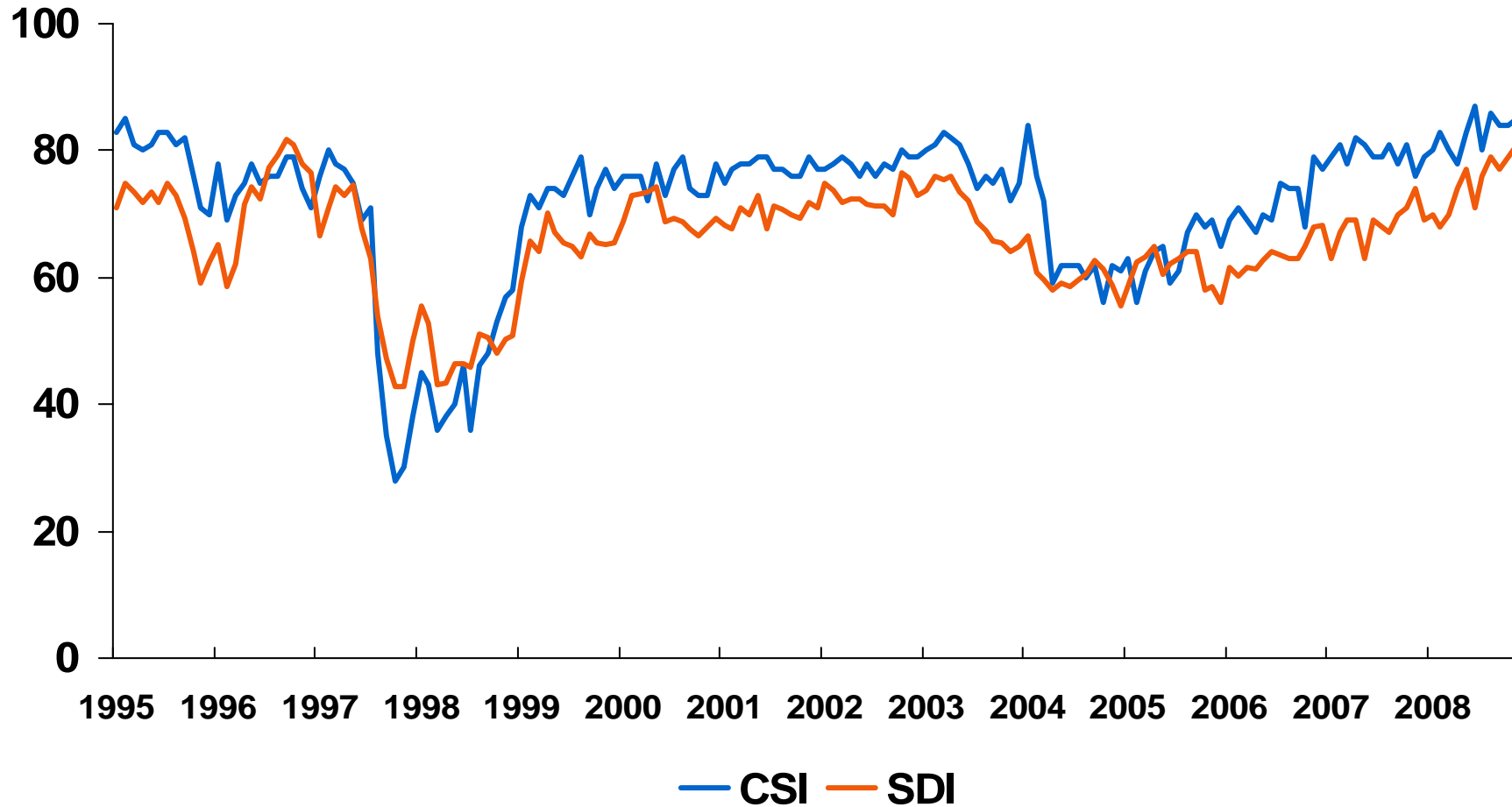


Satisfaction Index Improvement

* Through November

Correlation Between Customer Satisfaction Index and Service Delivery Index

1995 - 2008



Use actual SDI score for the month, and lag CSI score 1 month
Example: For May 2001, show May SDI and June CSI

Safety

Key Initiatives

Results

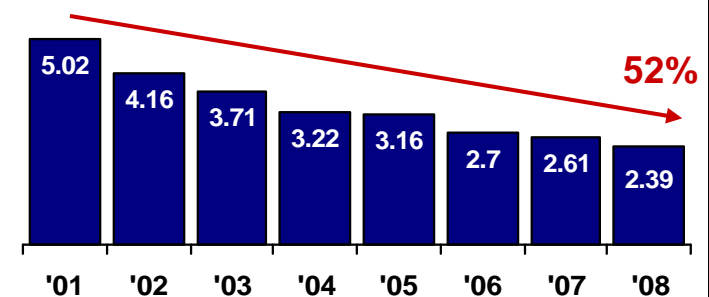
Jan. – Oct. '08

Employee



- TSC - Engagement
- Risk Assessment
- Close Call Reporting

Incidents Per 200,000 Man-Hours
'08 Goal - 2.35

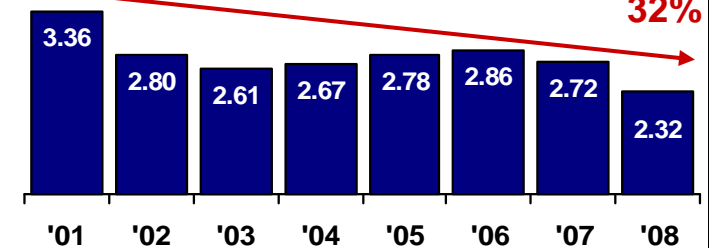


Public



- Enforcement - CARE
- Video Surveillance / TIR
- Engineering
- Fire Prevention!!

Crossing Accidents Per Million Train Miles
'08 Goal - 2.58

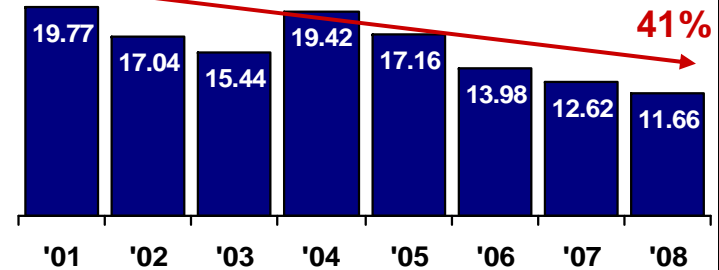


Derailments



- Technology
- Human Factors
- Capital Investment
- Customer Behavior

Incidents Per Million Train Miles
'08 Goal - 11.74



National Image – survey (AAR Report Nov 2008)

- **TOTAL FREIGHT RAIL**
- 20%EFFICIENT
- 11%RELIABLE
- 15%NECESSARY
- 14%AFFORDABLE
- 10%ENVIRONMENTALLY RESPONSIBLE
- 12%THE PAST 4%RESPONSIBLE
- 5%THE FUTURE
- 3%EXPENSIVE
- 3%ENVIRONMENTALLY IRRESPONSIBLE
- 1%PATRIOTIC
- 2%MONOPOLY
- 1%UNRELIABLE
- 1%WASTEFUL



Which fact most improves your perception of freight rail?

- **IF JUST 10% OF THE LONG-HAUL FREIGHT THAT CURRENTLY MOVES BY TRUCK WERE DIVERTED TO RAIL, FUEL SAVINGS WOULD EXCEED ONE BILLION GALLONS PER YEAR.**
- **EIGHT TRAINS CAN MOVE A TON OF FREIGHT 436 MILES ON JUST ONE GALLON OF GAS.**
- **IT'S PREDICTED THAT EVERY DOLLAR SPENT ON FREIGHT RAIL INFRASTRUCTURE WILL GENERATE MORE THAN THREE DOLLARS IN ECONOMIC OUTPUT. FOR EXAMPLE, IF THE RAIL INDUSTRY WERE TO SPEND \$300 MILLION DOLLARS ON INFRASTRUCTURE, THAT WOULD BECOME A NEARLY \$1 BILLION DOLLAR BOOM TO THE AMERICAN ECONOMY.**
- **IF ALL FREIGHT FROM RAIL WERE SHIFTED TO TRUCKS TOMORROW, IT WOULD ADD 92 BILLION TRUCK VEHICLE MILES OF TRAVEL TO THE HIGHWAY SYSTEM AND COST FEDERAL, STATE AND LOCAL TRANSPORTATION AGENCIES AN ADDITIONAL \$64 BILLION FOR HIGHWAY IMPROVEMENTS OVER THE NEXT 20 YEARS.**
- **10% FREIGHT RAILROADS HAVE LAUNCHED A PERISHABLE PRODUCE SERVICE FROM CALIFORNIA TO NEW YORK, WHICH SAVES 100,000 GALLONS OF DIESEL PER TOTAL SHIPMENT WHEN COMPARED TO TRUCKS.**
- **6% THE FREIGHT RAILROAD INDUSTRY CURRENTLY PROVIDES 185,000 WELL-PAYING JOBS TO AMERICAN FAMILIES.**



The NCSC Role and Contribution to Union Pacific

- Primary contact for customers regarding shipment inquiries, problem resolution, accessorial services, e-business support, including UP's Customer Web Site.
- Primary contact point for the Operating Department regarding the Work Order process and inventory status.
- Owner of the CIMS process.
- Manage the reporting of railcars interchanged to and from our connecting railroad partners.
- Maintain the integrity of the car inventory in TCS.
- Manage the efficient and cost-effective distribution of empty railcars.



Tactical Problem Resolution

Desired State:

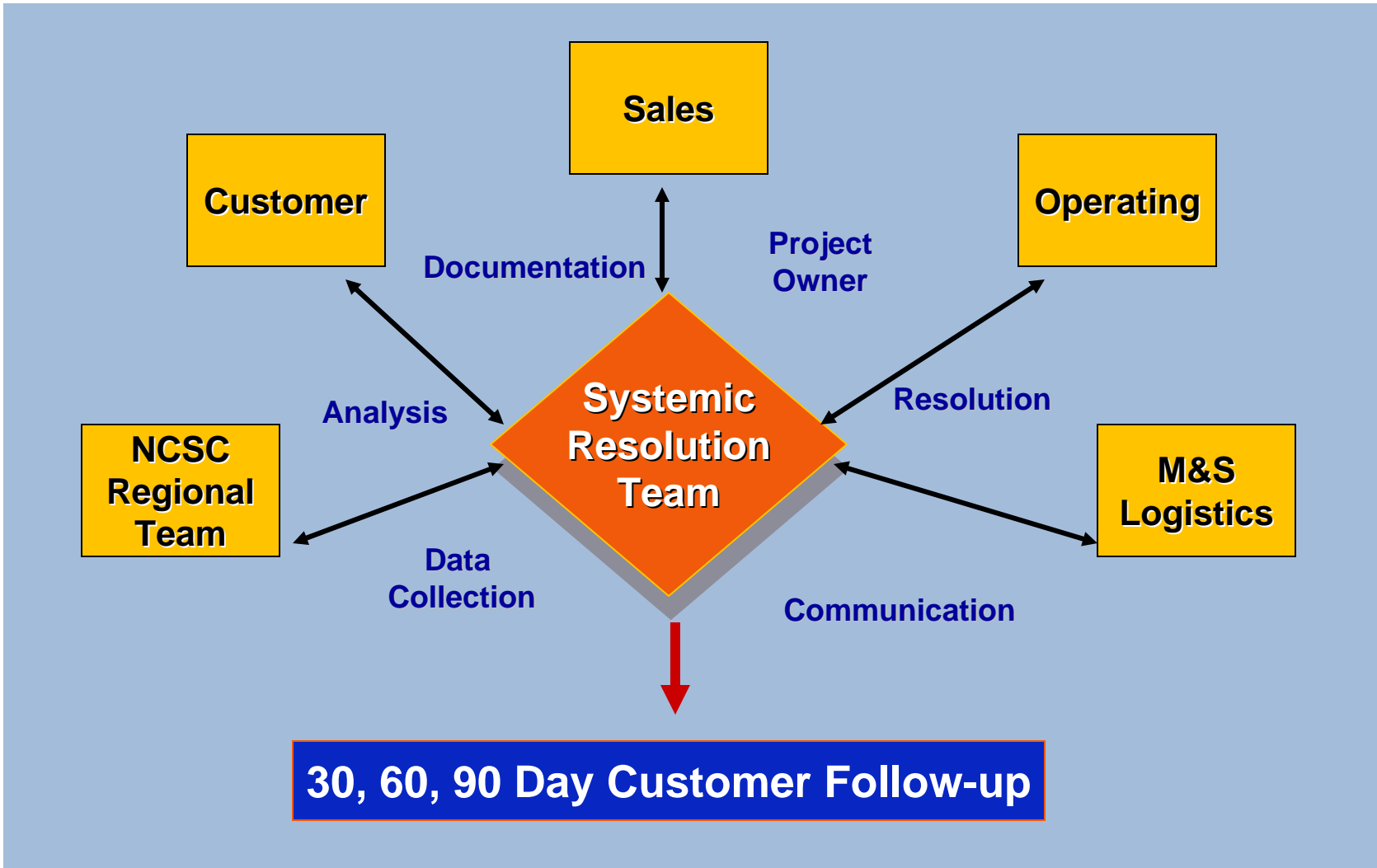
Customer

NCSC
Regional
Team

Operating

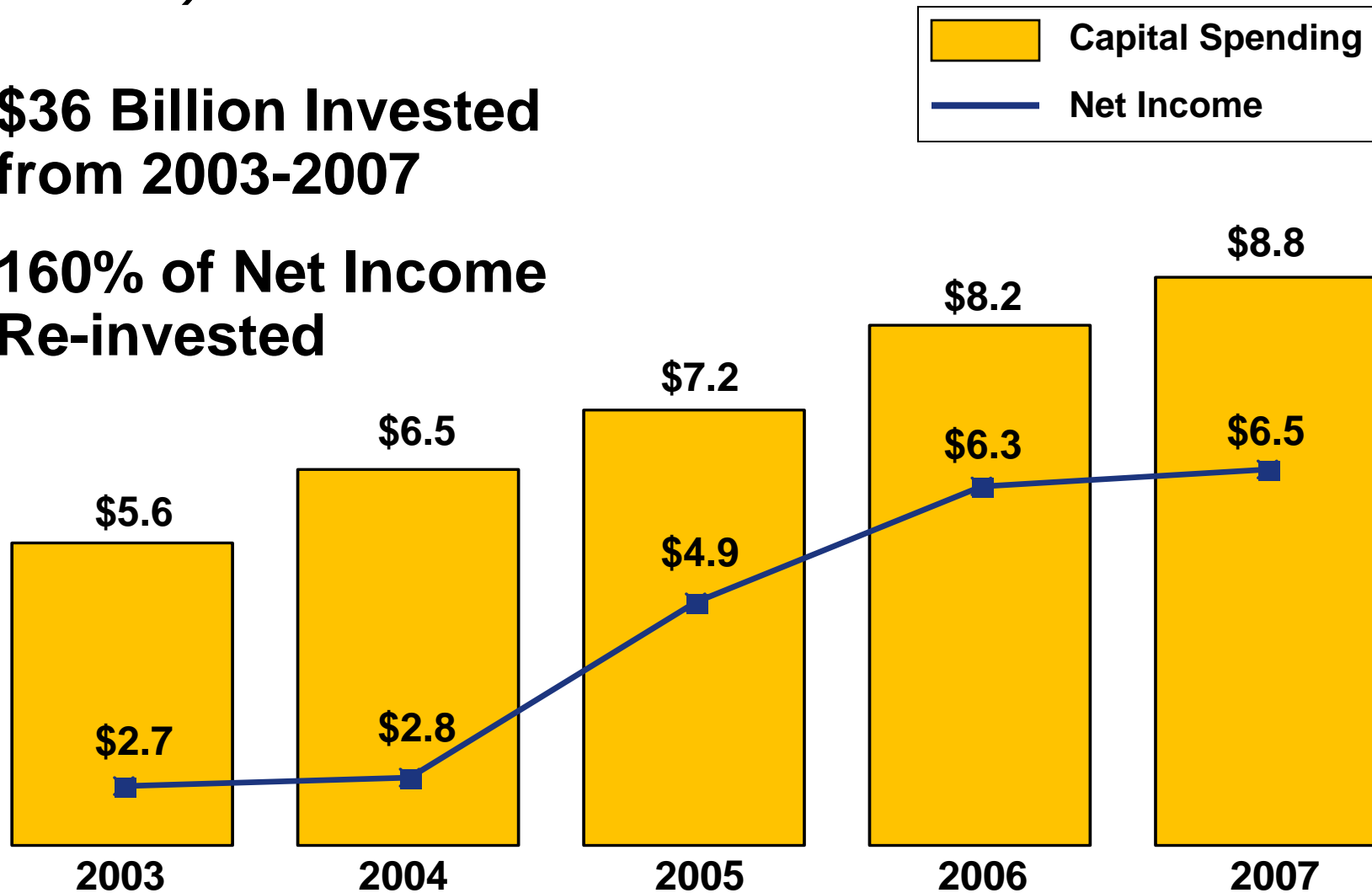
Enhanced
Web
Application

Systemic Problem Resolution



U.S. Class I Railroad Capital Investment* (\$Billions)

- \$36 Billion Invested from 2003-2007
- 160% of Net Income Re-invested



*UP, BNSF, CSX, NS only – including lease financing

Ed Hamberger, President and CEO AAR comments on Infrastructure Stimulus

- **Freight rail projects get underway more quickly**
- **Rail investment will deliver tangible economic relief
– Jobs**
- **Rail investment helps ensure that our nation
remains globally competitive**
- **Freight rail is GREEN**

