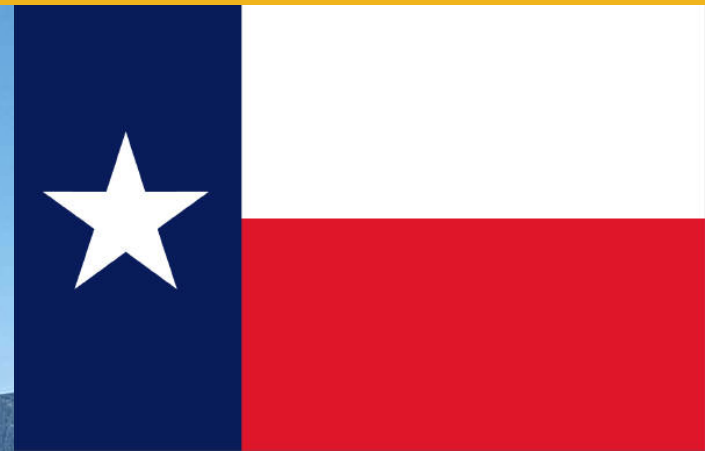


Are We There Yet?

Jack Koraleski – February 18, 2010



BUILDING AMERICA®

Economy Improves, But Challenge Continues



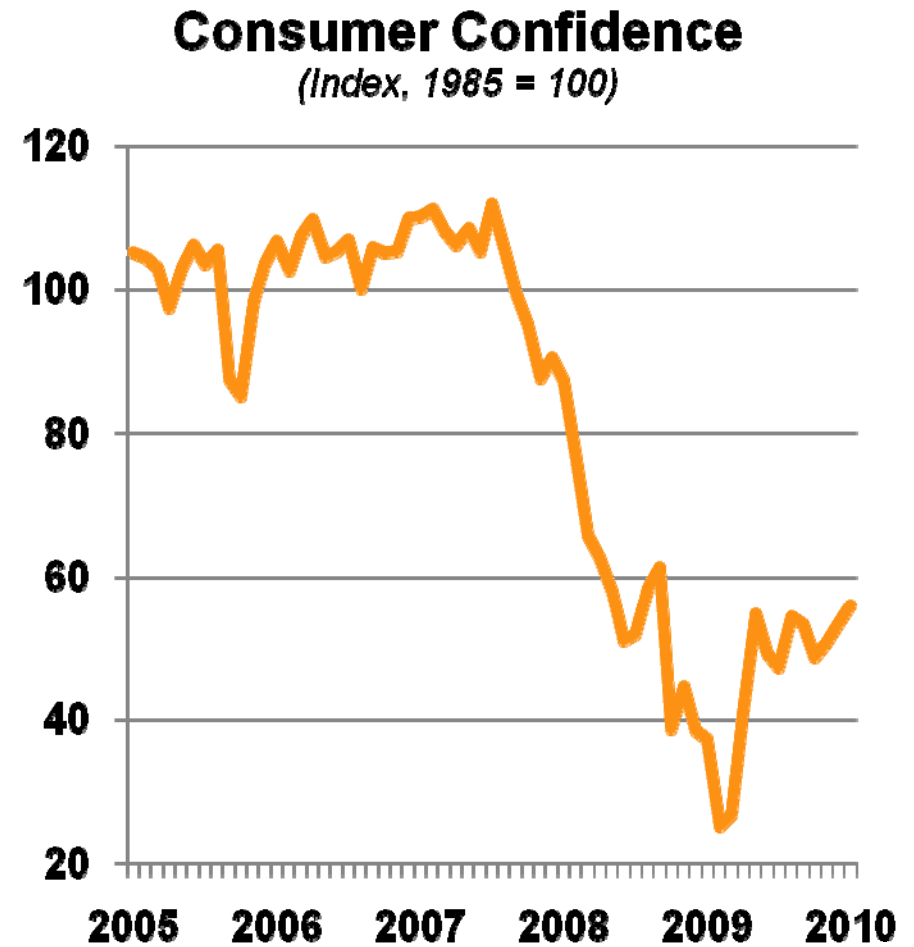
	<u>2008</u>	<u>2009</u>	<u>2010</u>
GDP	0.4%	(2.4%)	3.0%
Industrial Production	(2.2%)	(9.7%)	4.3%
Housing Starts (MM)	0.90	0.55	0.75
Vehicle Sales (MM)	13.2	10.3	11.8
Exports	5.4%	(9.9%)	9.7%
Imports	(3.2%)	(14.2%)	10.3%

Global Insight – February 2010

Still Waiting for Meaningful Economic Recovery

Questions Remain...

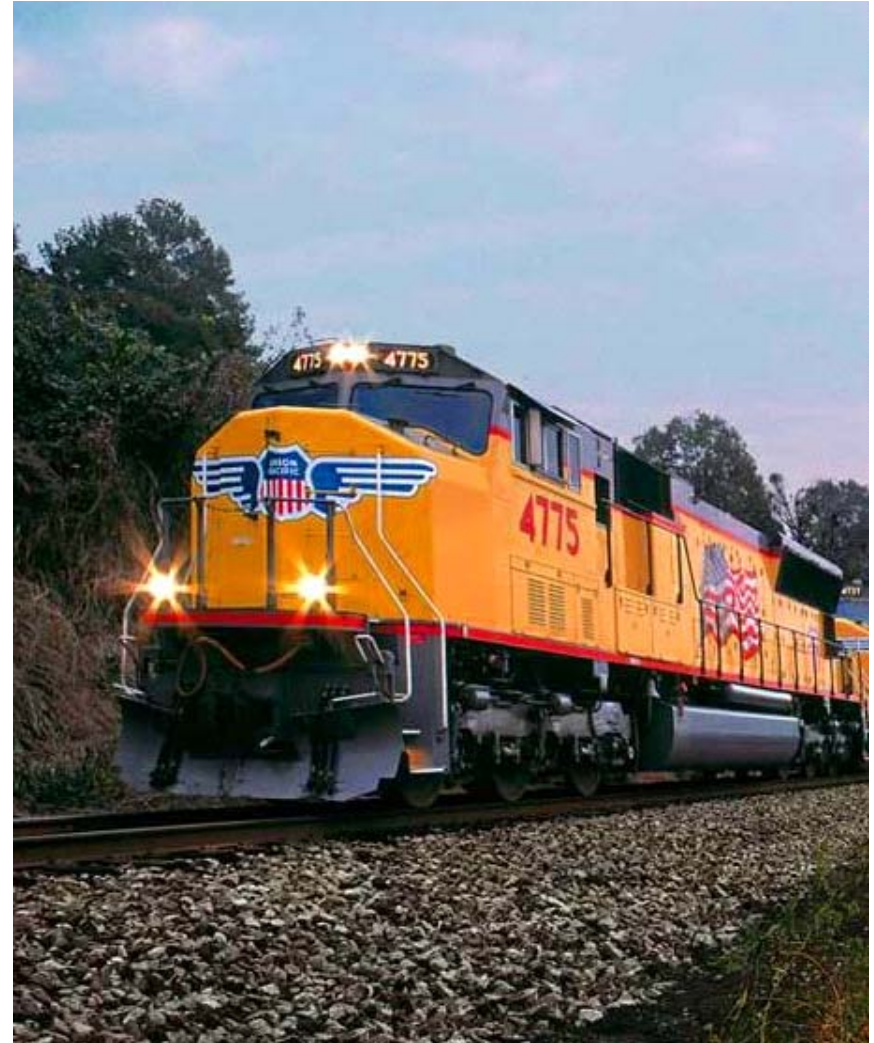
- Will the stimulus have an impact?
- What's the long term impact of Cash for Clunkers?
- Will a growing deficit dampen recovery?
- Will the consumer get back in the game if unemployment remains high?



Source: Conference Board

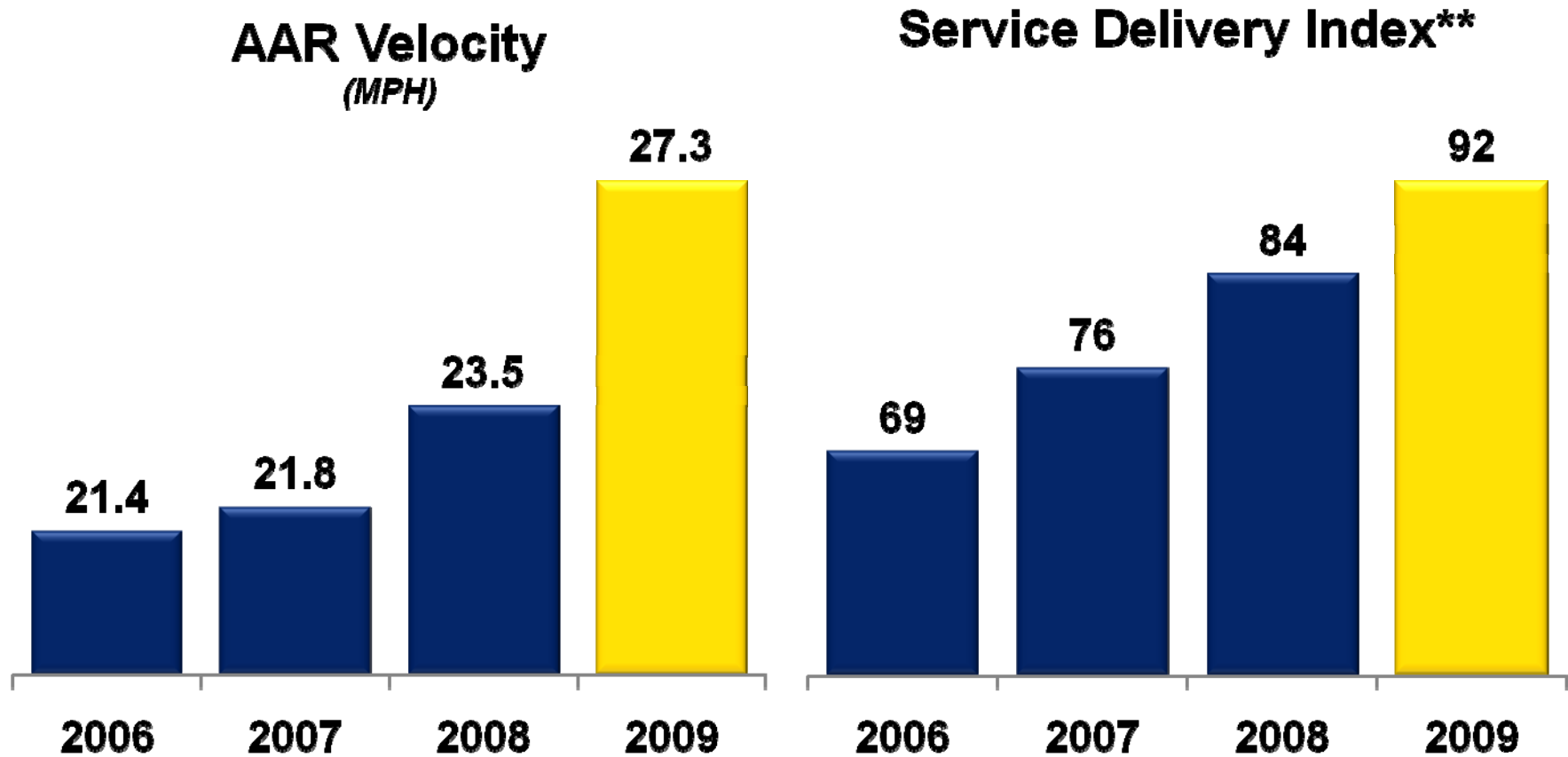
Creating Customer Value

- Drive further improvement in service
- Invest for the future
- Provide wide-ranging options for shippers



Creating Customer Value

Drive Further Improvement in Service



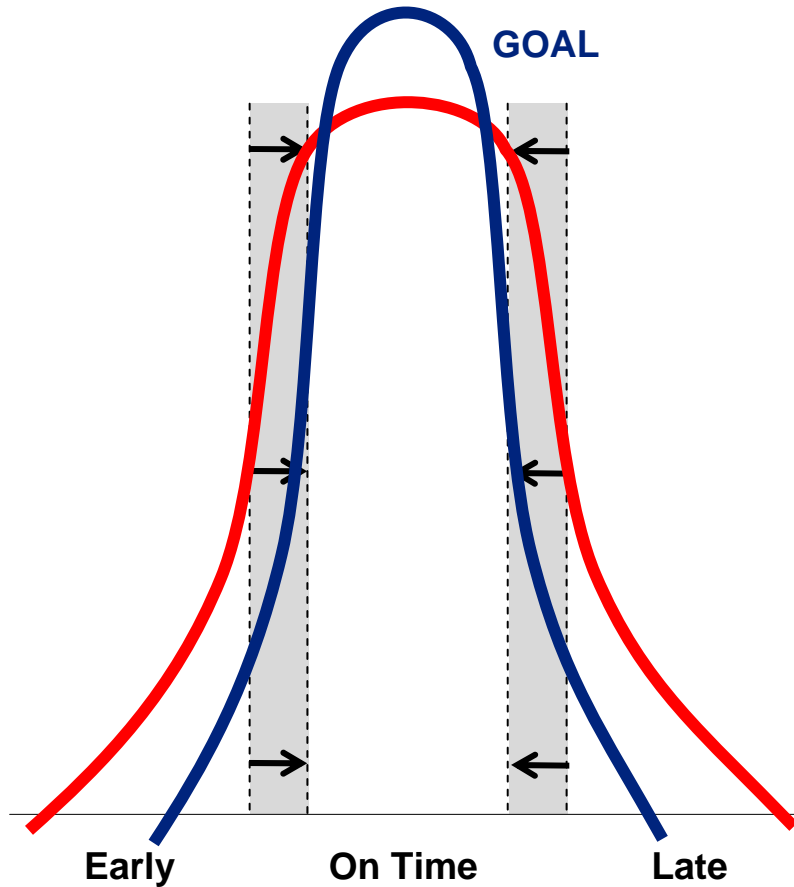
***includes early deliveries*



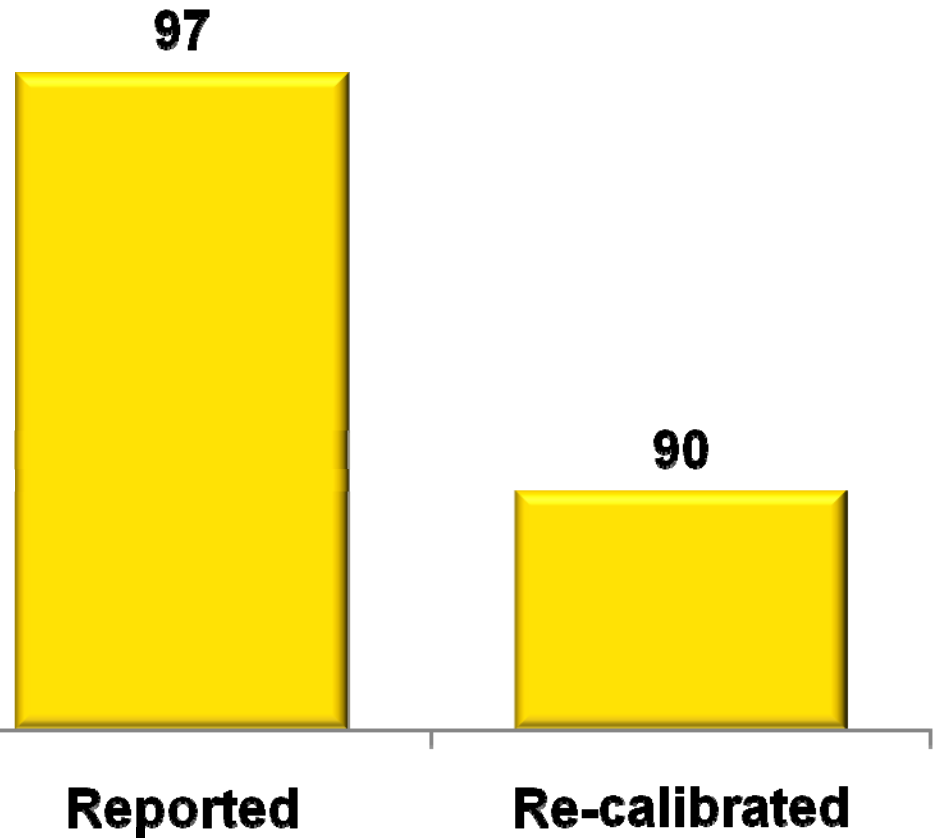
Creating Customer Value

Disciplined Plan Execution

“Cinching” the Variability



To/From Industry
2009



Creating Customer Value

Reducing Root Causes of Variability

Sources of Variability

- Infrastructure failures
- Maintenance permits
- Equipment failures
- Operating practices



Creating Customer Value

Performance Sustainability

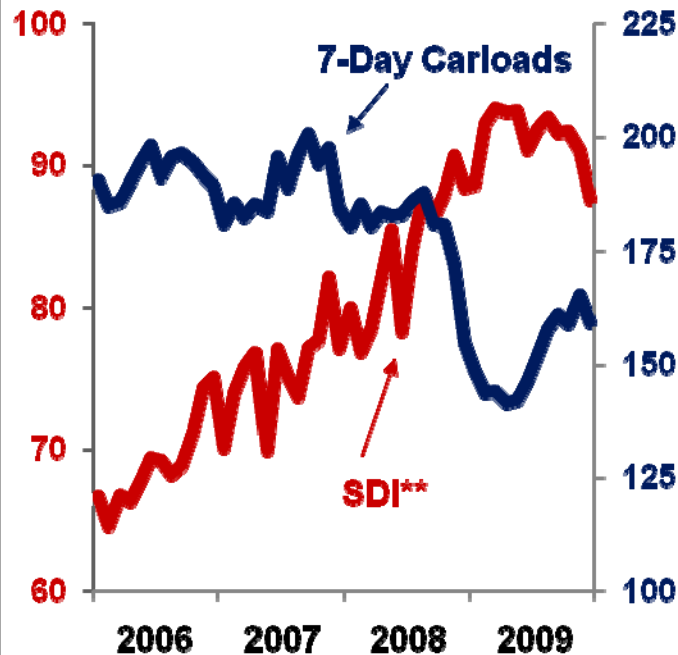
Volume Variability

Furloughs/Stored*:

- 4,000 TE&Y
- 1,600 Locomotives
- 40,000 Freight Cars

Service Excellence

Service Performance & Volume



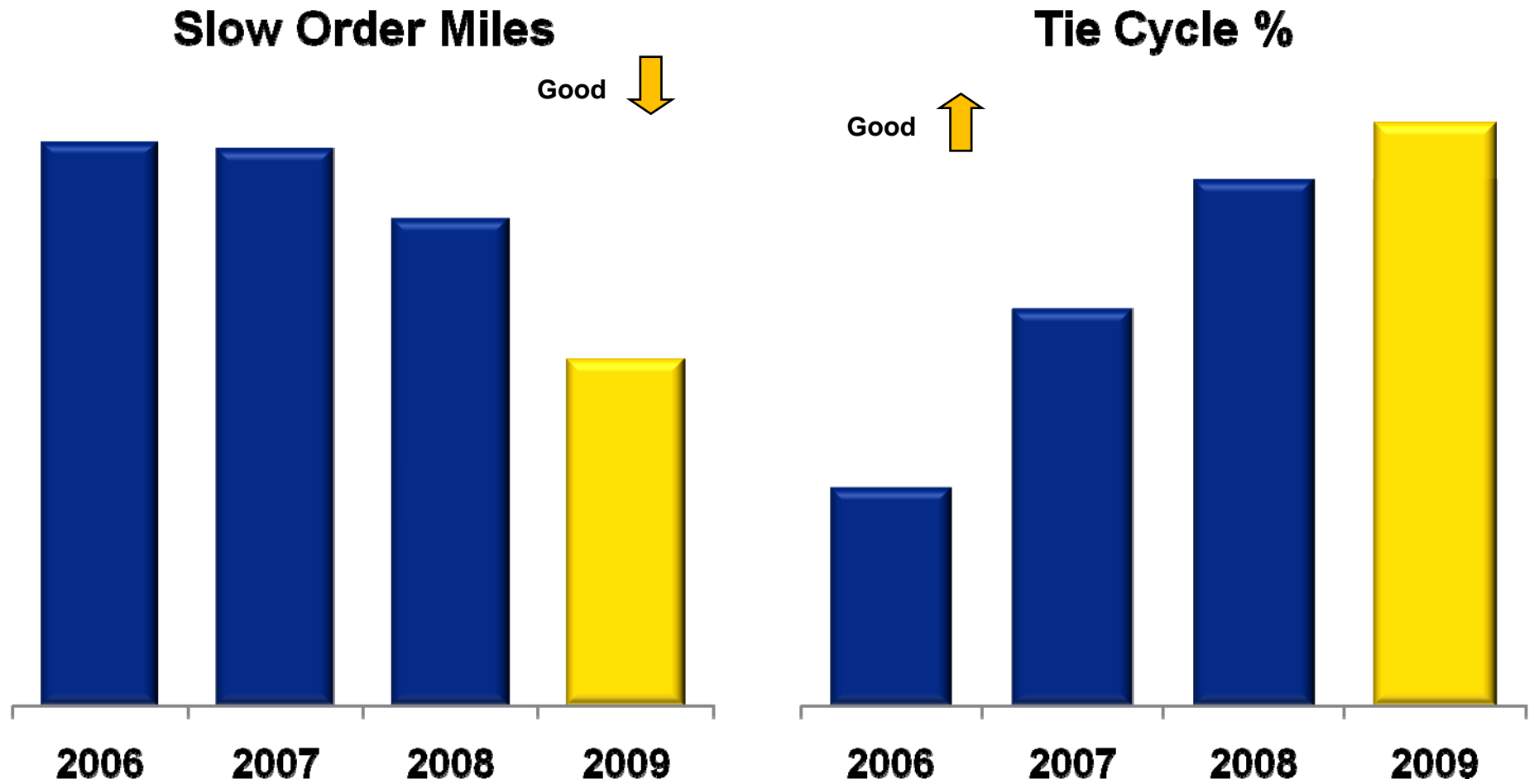
**Includes early deliveries

Upside Leverage

- Train capacity and locomotive practices
- Surge capabilities
- Process discipline
- Infrastructure condition
- Capital investments

Creating Customer Value

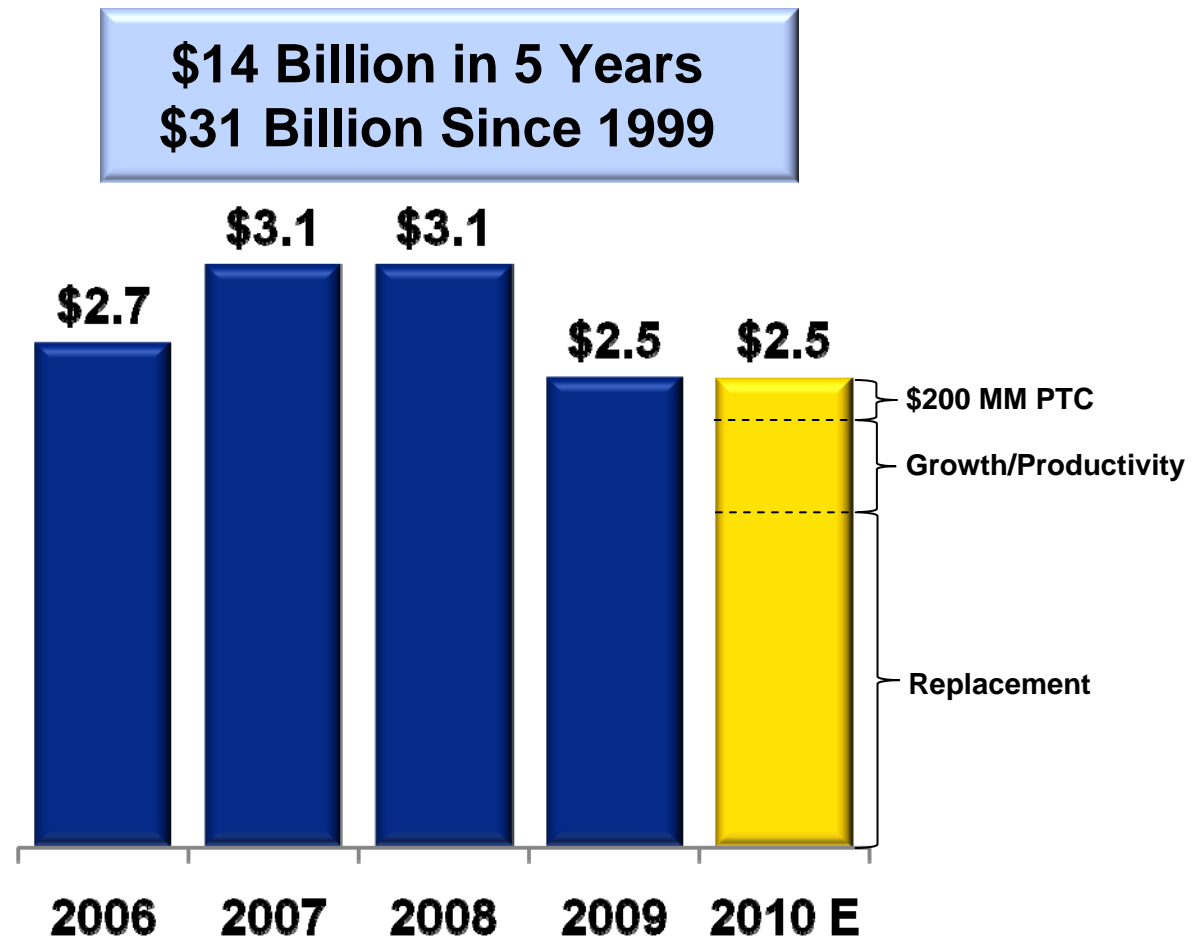
Infrastructure Condition



Creating Customer Value

Investing for the Future

- **Safety, service, growth & productivity**
- **Continue long-term strategic projects**
- **Positive Train Control**



Creating Customer Value

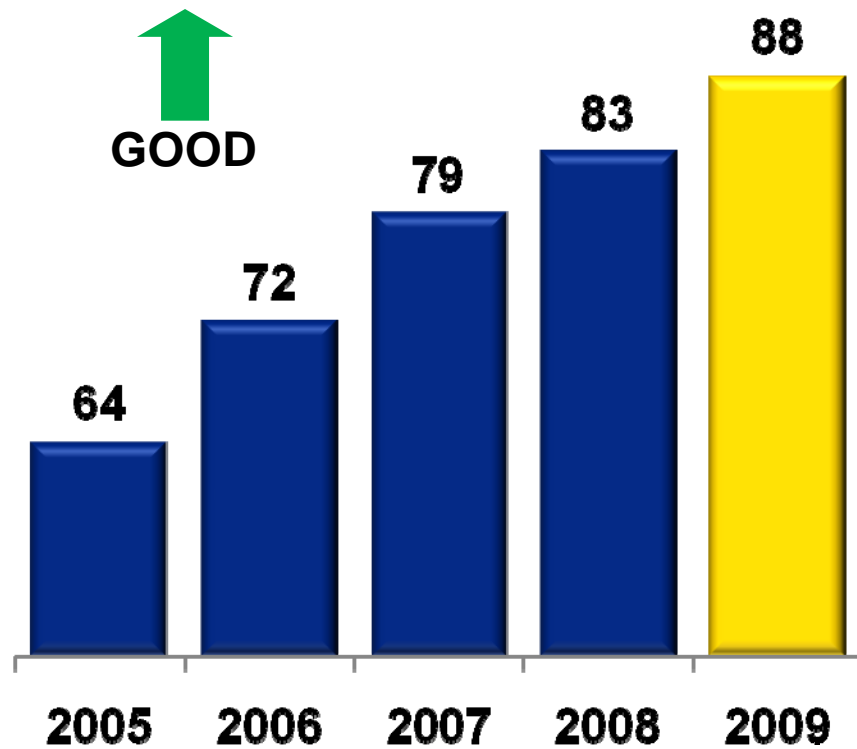
Provide Wide-Ranging Options for Shippers

- Offer a range of services enabling shippers of all sizes to leverage the cost and environmental advantages of rail
 - Carload
 - Transload
 - Team track
 - Intermodal
- Reduce complexity

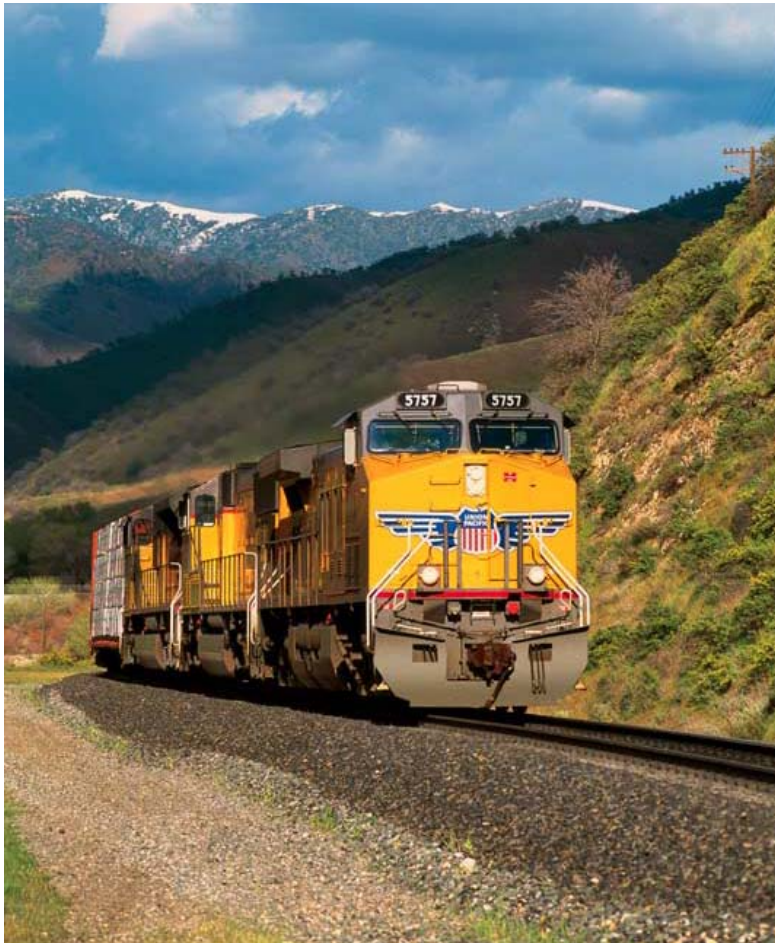


Creating Customer Value

Customer Satisfaction Index



The Benefits of Rail



- Safer transportation
- Cleaner skies, Clearer roads
- Energy conservation & independence
- Privately-funded infrastructure
- Over 200,000 American jobs

Transportation Policy *Challenges*

- **Regulatory structure**
- **Positive Train Control mandate**
- **Passenger rail**
- **Is there more to come?**



Are We There Yet?

A View to 2010...and Beyond

- **Slow economic recovery**
- **Continued service improvement**
- **Public policy must support affordable, efficient, environmentally responsible transportation**
- **Work together to grow**

