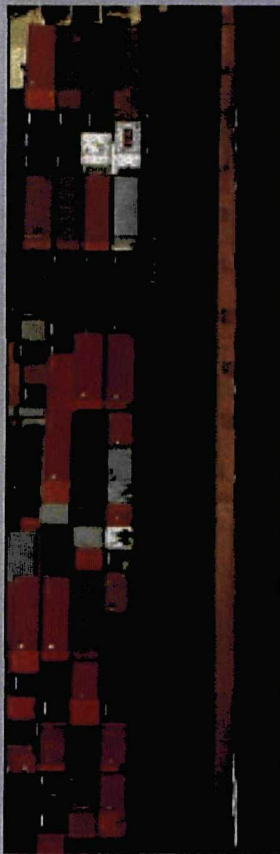




AIRFREIGHT & SURFACE TRANSPORTATION
Airfreight & Logistics – Market Overweight
Railroads – Market Weight
Trucking – Market Overweight



June 22-23, 2011

Surface Transportation Board

Hearings on Competition in the Railroad Industry

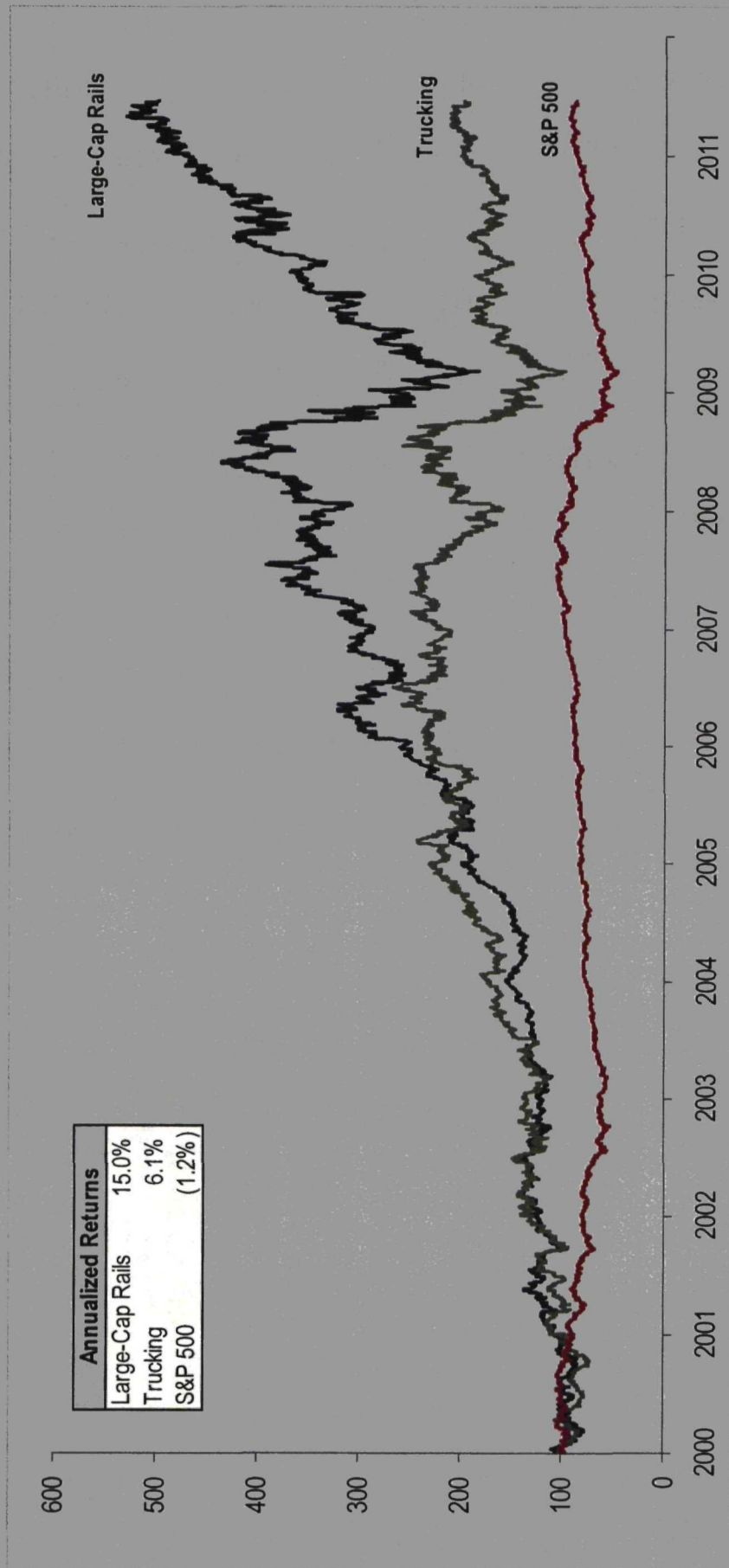
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Transport Stock Performance vs. the S&P 500

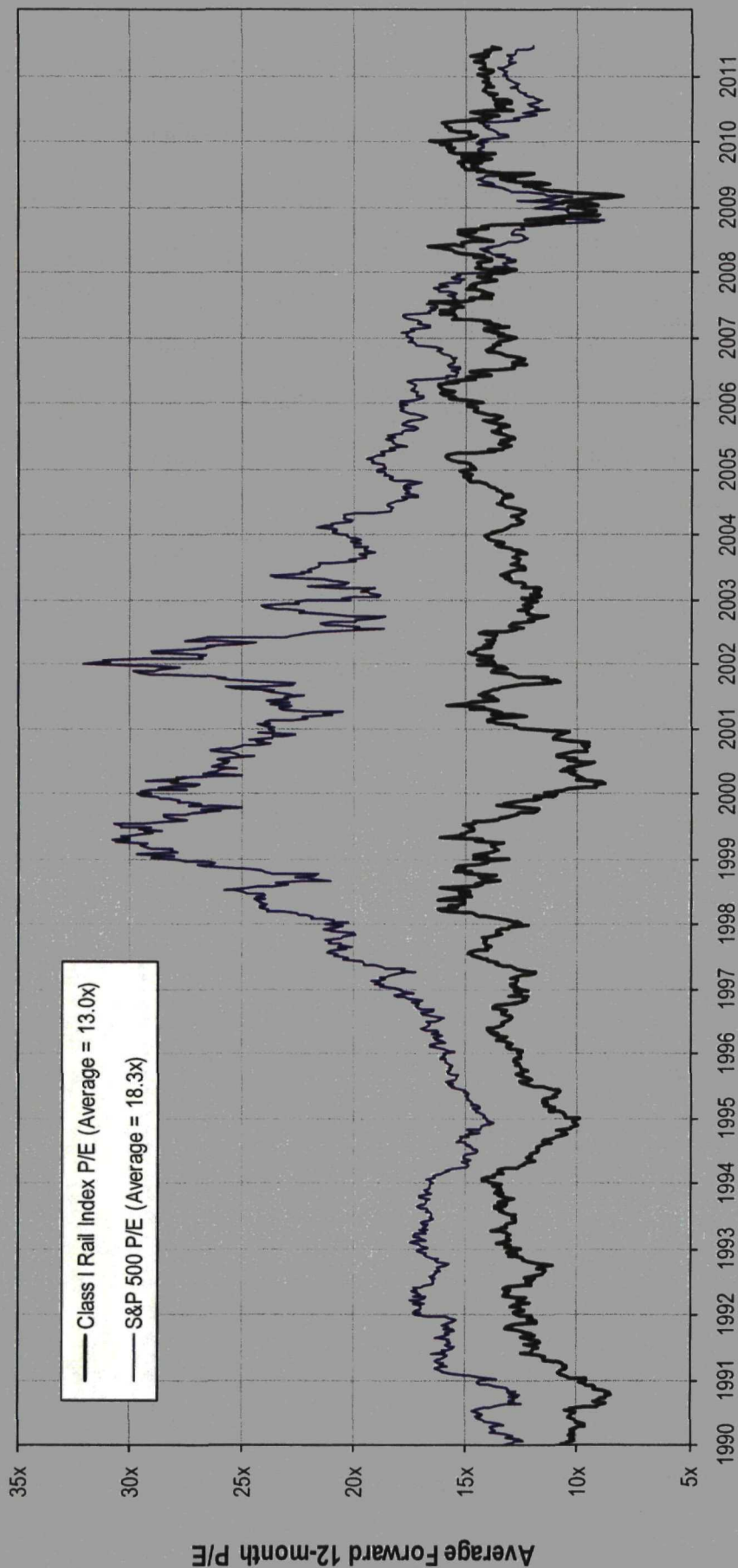
- ▶ Rail Stocks Have Materially Outperformed Other Transports and the S&P 500 Since 2005



Note: Rail index includes BNI, CNI, CP, CSX, NSC, UNP, CRR, RSP. Trucking index includes CVTI, HTLD, JBHT, KNX, SWFT, WERN, ABFS, AFWY, CNW, ODFL, ROAD, USFC, YRCW, R.
Source: FactSet Research Systems Inc.; Wolfe Trahan & Co.

Rail Forward P/E Valuations vs. the S&P 500

► The Rails Have Consistently Traded Below a Market Multiple



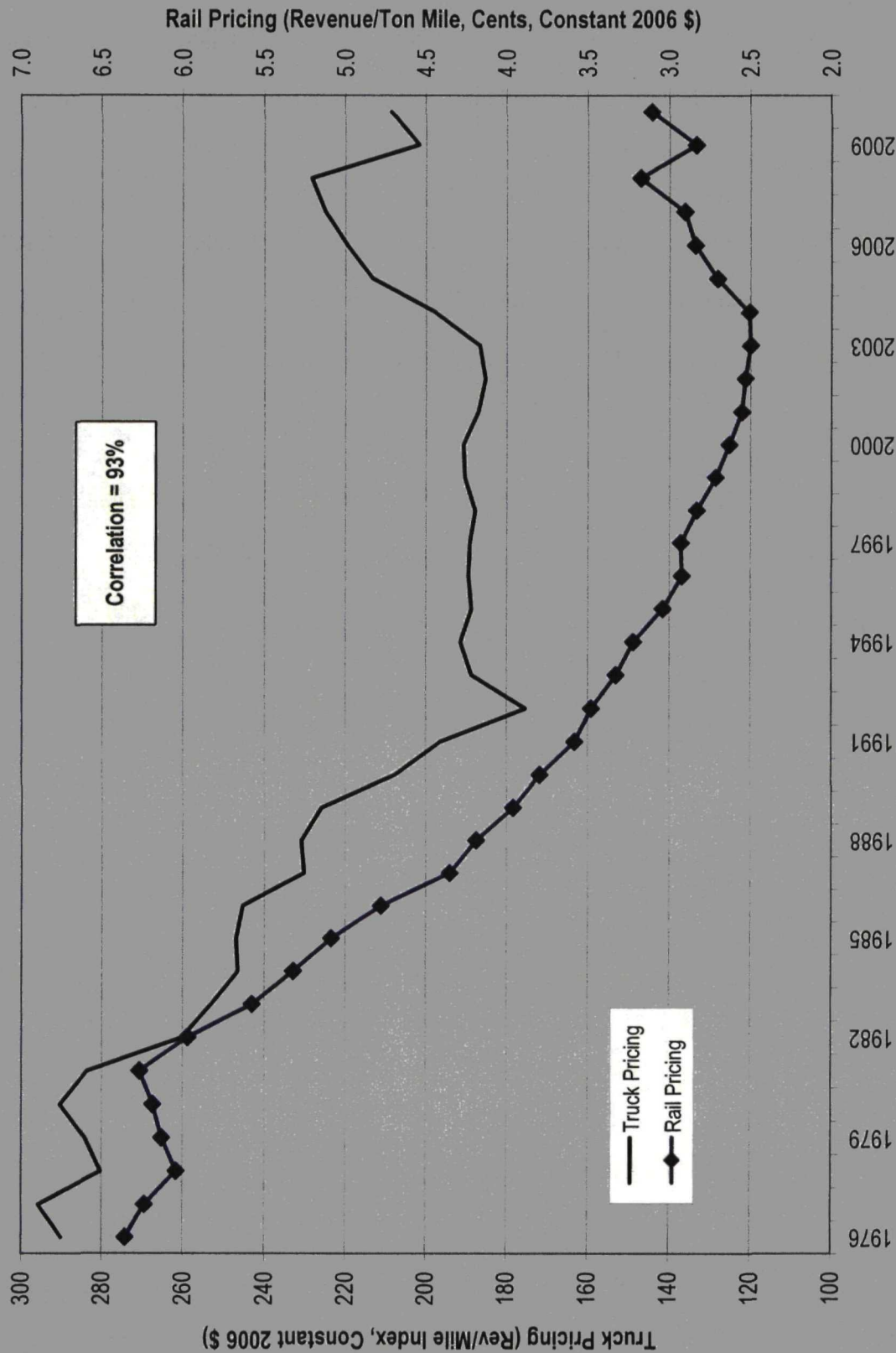
Note: Rail Index includes BNI, CNI, CP, CSX, NSC, and UNP.
Source: FactSet Research Systems Inc.; Wolfe Trahan & Co.

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Rail vs. Truck Pricing

► Rail Rate Increases Have Materially Lagged Truck Rate Increases Since Deregulation



Source: AAR; ATA; Wolfe Trahan & Co.

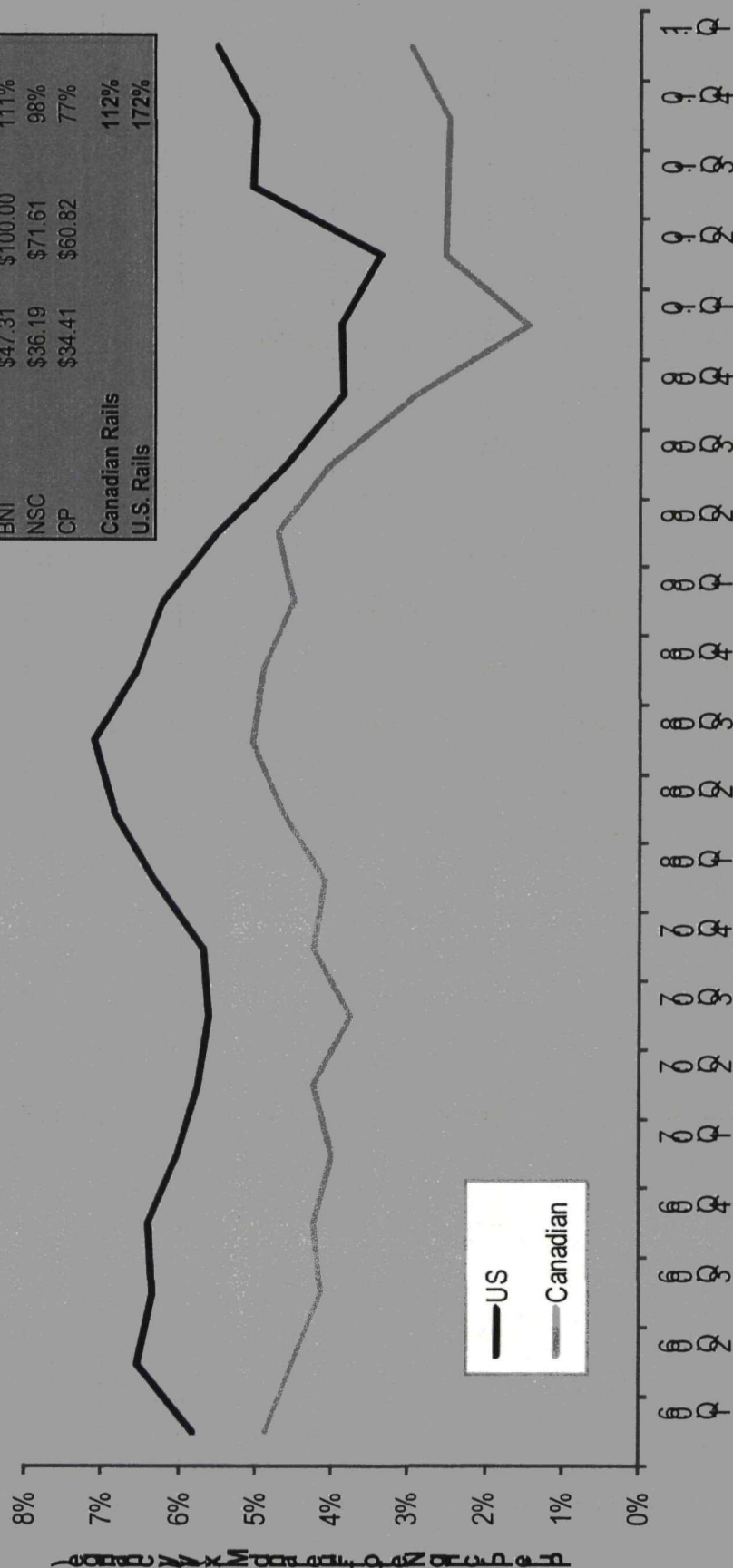
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U.S. vs. Canadian Rail Pricing

- U.S. Rail Pricing Gains Have Consistently Outpaced Canadian Rail Pricing Gains

U.S. vs. Canadian Rail Stock Performance			
	12/31/2004	Current	% Change
CSX	\$6.68	\$25.11	276%
UNP	\$33.63	\$101.80	203%
CNI	\$30.63	\$75.66	147%
BNI	\$47.31	\$100.00	111%
NSC	\$36.19	\$71.61	98%
CP	\$34.41	\$60.82	77%
Canadian Rails			112%
U.S. Rails			172%

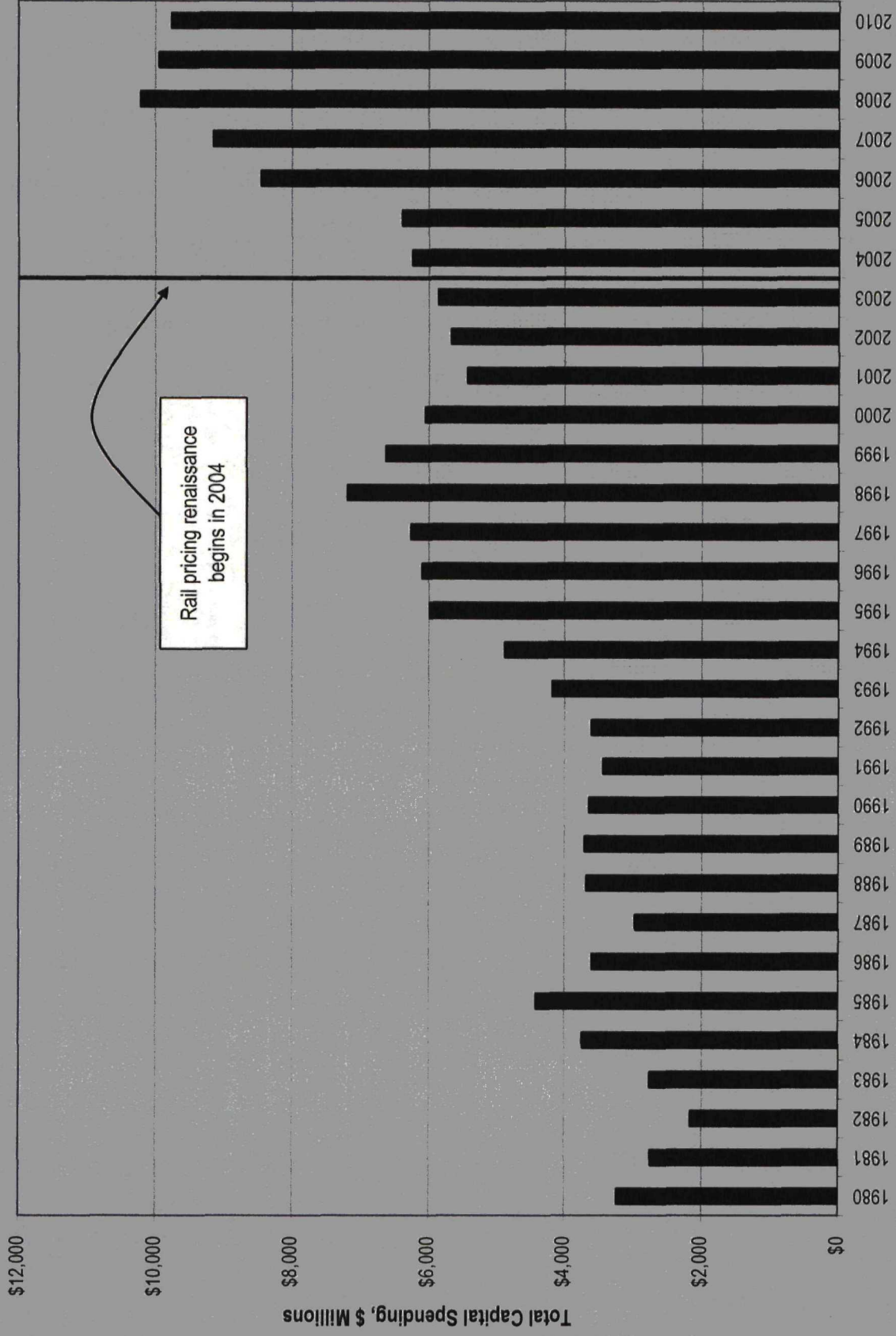


Note: Priced as of June 20, 2011; U.S. Rails include BNI, CSX, NSC, and UNP. Canadian Rails include CNI and CP. Stock performance for BNI based on \$100 acquisition price paid by Berkshire Hathaway on 2/12/2010; Source: FactSet Research Systems Inc.; Company reports; Wolfe Trahan & Co.

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Rail Capital Spending Has Increased Materially in Recent Years



Source: AAR; Wolfe Trahan & Co.

Rail Capital Expenditures

► Rail CapEx is Materially Higher Than Other Large Companies in the U.S.

Total Capex (US\$ M)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E	5-Yr Avg 2006-2010	10-Yr Avg 2001-2010
BNSF	\$2,666	\$2,598	\$2,767	\$2,526	\$1,762	\$1,608	\$1,505	\$1,726	\$1,988	\$2,179	\$2,671	\$2,592	\$2,850	\$2,640	\$2,400	\$3,500	\$2,631	\$2,216
CNI	398	663	724	738	743	684	598	749	825	975	1,141	1,296	1,347	1,237	1,538	1,757	1,312	1,039
CP	393	620	738	567	385	359	356	493	519	731	698	834	791	634	704	1,018	732	612
CSX	1,424	1,187	1,479	1,517	913	930	1,080	1,059	1,030	1,136	1,639	1,773	1,740	1,447	1,825	2,107	1,685	1,366
NSC	957	960	956	912	731	746	695	720	1,041	1,025	1,178	1,341	1,558	1,299	1,470	2,223	1,369	1,107
UNP	2,076	2,101	2,110	2,158	2,315	2,196	2,359	2,071	2,402	2,860	2,729	3,096	3,100	2,500	2,500	3,267	2,785	2,581
Total	\$7,915	\$8,128	\$8,774	\$8,418	\$6,849	\$6,523	\$6,593	\$6,818	\$7,805	\$8,905	\$10,056	\$10,932	\$11,386	\$9,758	\$10,438	\$13,871	\$10,514	\$8,921
Canadian Rails	792	1,283	1,462	1,305	1,128	1,043	954	1,242	1,344	1,705	1,839	2,130	2,138	1,872	2,243	2,774	2,044	1,651
US Rails	7,123	6,846	7,312	7,113	5,721	5,480	5,639	5,576	6,461	7,200	8,217	8,802	9,248	7,886	8,195	11,096	8,470	7,270
Y/Y % Change																		
BNSF	37.8%	(2.6%)	6.5%	(8.7%)	(30.2%)	(8.7%)	(6.4%)	14.7%	15.2%	9.6%	22.6%	(3.0%)	10.0%	(7.4%)	(9.1%)	45.8%	2.6%	3.7%
CNI	(2.9%)	66.5%	9.2%	1.9%	0.7%	(8.0%)	(12.6%)	25.2%	10.2%	18.1%	17.1%	13.5%	4.0%	(8.2%)	24.3%	14.2%	10.2%	8.4%
CP	(24.2%)	57.6%	19.1%	(23.2%)	(6.7%)	(6.7%)	(0.8%)	38.4%	5.2%	40.9%	(4.5%)	19.6%	(5.2%)	(19.8%)	11.0%	44.5%	0.2%	7.8%
CSX	4.4%	(16.7%)	24.6%	2.6%	(39.8%)	1.9%	16.1%	(1.9%)	(2.7%)	10.3%	44.3%	8.2%	(1.9%)	(16.8%)	26.1%	15.4%	12.0%	8.3%
NSC	2.0%	0.3%	(0.4%)	(4.6%)	(19.8%)	2.1%	(6.8%)	3.6%	44.6%	(1.5%)	14.9%	13.8%	16.2%	(16.6%)	13.2%	51.2%	8.3%	8.3%
UNP	9.1%	1.2%	0.4%	2.3%	7.3%	(5.1%)	7.4%	(12.2%)	16.0%	19.1%	(4.6%)	13.4%	0.1%	(19.4%)	0.0%	30.7%	(2.1%)	1.5%
Total (US\$)	12.0%	2.7%	7.9%	(4.1%)	(18.6%)	(4.8%)	1.1%	3.4%	14.5%	14.1%	12.9%	8.7%	4.2%	(14.3%)	7.0%	32.9%	3.7%	4.7%
% of Revenue																		
BNSF	32.6%	30.9%	30.9%	27.5%	19.1%	17.5%	16.8%	18.3%	18.2%	16.8%	17.8%	16.4%	15.8%	18.8%	14.2%	NA	16.6%	17.1%
CNI	10.5%	17.5%	20.9%	20.9%	20.3%	18.7%	15.4%	17.7%	15.9%	15.8%	16.4%	17.6%	16.8%	19.0%	19.1%	19.0%	17.8%	17.2%
CP	14.5%	24.5%	31.5%	24.1%	15.6%	15.0%	15.2%	18.8%	17.3%	20.1%	17.3%	19.0%	15.6%	16.3%	14.6%	19.4%	16.6%	16.3%
CSX	25.5%	19.6%	26.4%	23.0%	12.6%	12.9%	15.0%	14.2%	12.8%	13.2%	17.1%	17.7%	15.5%	16.0%	17.2%	18.0%	16.7%	15.2%
NSC	15.3%	15.0%	14.9%	14.4%	11.9%	12.1%	11.1%	11.1%	14.2%	12.1%	12.5%	14.3%	14.6%	16.3%	15.4%	20.4%	14.6%	13.4%
UNP	20.5%	21.0%	22.3%	21.2%	21.4%	20.3%	21.1%	17.9%	19.7%	21.1%	17.5%	19.0%	17.3%	17.7%	14.7%	17.0%	17.2%	18.6%
Total Large-Cap Rails	19.8%	21.4%	24.5%	21.9%	16.8%	16.1%	15.8%	16.4%	16.3%	16.5%	16.4%	17.3%	15.9%	17.4%	15.9%	18.7%	16.6%	16.4%
Dow Jones Industrial Average	6.8%	7.1%	7.2%	7.2%	7.1%	7.4%	6.1%	5.1%	5.0%	5.3%	5.5%	5.6%	5.6%	5.2%	4.9%	4.9%	5.4%	5.6%

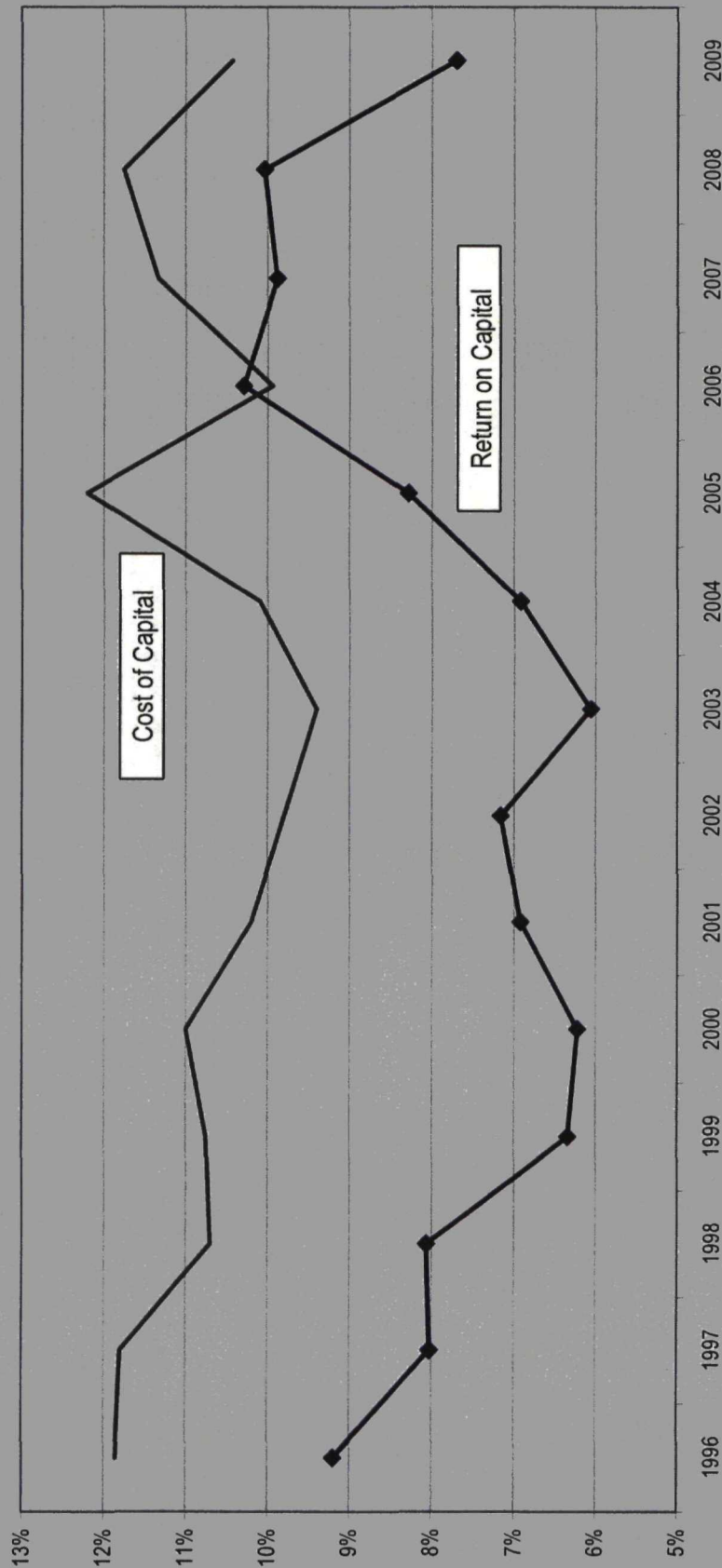
Note: Rail capital expenditures include operating lease commitments for locomotives, cars, and other equipment. DJIA uses current constituents for all periods - MMM, AA, AXP, T, BAC, BA, CAT, CVX, CSCO, KO, DD, XOM, GE, HPQ, IBM, INTC, JNJ, JPM, KFT, MCD, MRK, MSFT, PFE, PG, HD, TRV, UTX, VZ, WMT, DIS. DJIA estimates are Consensus for 2011.
Source: FactSet Research Systems Inc.; Wolfe Trahan & Co. estimates.

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Rail Returns on Capital vs. Cost of Capital

- Rails Consistently Do Not Earn Their Cost of Capital...Even on a Historical Book Value Basis



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
BNI	8.6%	8.4%	9.7%	9.5%	8.8%	7.1%	6.4%	6.2%	5.8%	9.8%	11.4%	10.0%	10.2%	8.7%
CSX	8.9%	9.8%	8.1%	3.8%	3.6%	4.6%	5.2%	4.0%	4.4%	6.2%	8.2%	7.6%	9.2%	7.3%
KSU	7.2%	3.6%	9.1%	6.4%	6.3%	7.0%	6.5%	3.7%	8.3%	5.9%	9.3%	9.4%	7.2%	6.5%
NSC	13.0%	13.1%	10.5%	5.2%	5.5%	8.3%	9.1%	9.1%	11.6%	13.2%	14.4%	13.6%	13.4%	7.7%
UNP	8.3%	5.2%	2.9%	6.8%	6.9%	7.6%	8.6%	7.3%	4.5%	6.3%	8.2%	8.9%	10.2%	8.6%
Average Rail ROIC	9.2%	8.0%	8.1%	6.3%	6.2%	6.9%	7.2%	6.1%	6.9%	8.3%	10.3%	9.9%	10.0%	7.7%

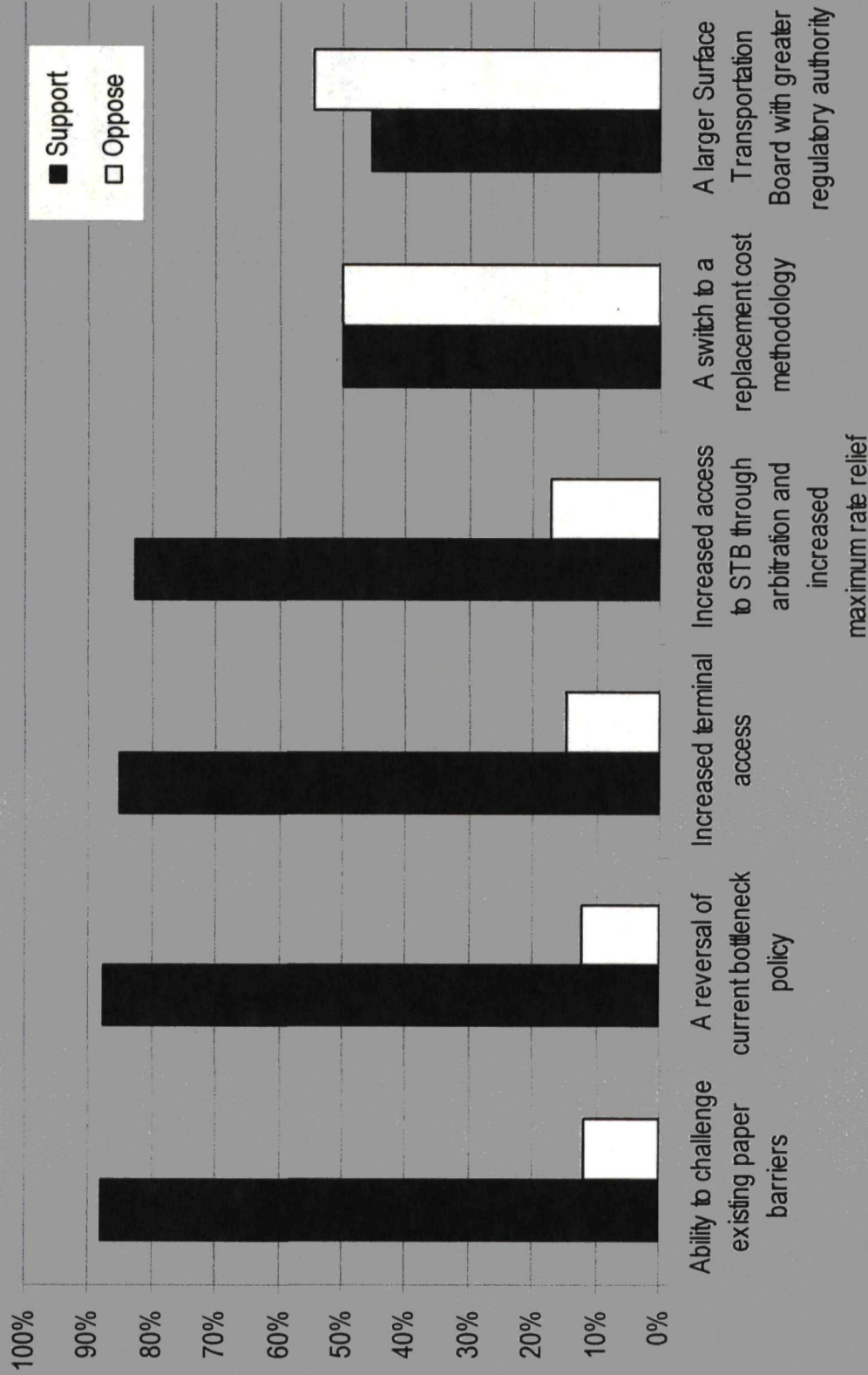
Source: STB; Wolfe Trahan & Co.

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Shippers Strongly Support Rail Regulatory Reform

► Shipper Survey Question: What Rail Regulatory Changes Do you Support and Oppose?



Source: Based on Wolfe Trahan *The State of the Freight shipper survey report* conducted in 2010; Wolfe Trahan & Co.

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Investment In Rail Infrastructure Is Critical

- ▶ Rails are a fuel efficient way to move bulk commodities such as coal, grain, steel, etc.
 - ▶ Rails can move 1 ton of freight 450-500 miles per gallon of fuel – about 4x more fuel efficient than trucks
- ▶ Our channel checks reveal that Railroad rates are about 10%-15% cheaper than comparable lane-by-lane Truck rates
- ▶ Rails can help relieve highway congestion – 1 double-stack Intermodal train can take up to 280 trucks off the nation's congested highways
- ▶ Rails are a pipeline for offshore goods to move within the U.S.
 - ▶ Large shipments of consumer freight that are produced well in advance in Asia and transported by ocean to U.S. ports lend themselves to longer-haul, Rail shipments throughout the nation
- ▶ Rails are increasingly serving export markets including coal and grain
- ▶ Safety – Railroads provide a safe way to move hazardous materials, mitigating the risk of an accident with civilians.
 - ▶ The Rails continue to improve their safety levels
- ▶ Laying 1 mile of rail track is about 1/5 the cost of laying 1 mile of highway.

Major Capacity Expansion Projects by Railroad

- ▶ Rails are guiding to higher capital spending above historical averages as a percent of revenue
- ▶ CSX: National Gateway – public/private partnership to create link between Mid-Atlantic ports and the Midwest; recently opened state of the art Intermodal facility in Northwest Ohio
- ▶ Norfolk Southern: Heartland Corridor – route between Norfolk, VA and Chicago where NSC raised the height of 28 tunnels to allow for double-stack container trains; Crescent Corridor – \$2.5 billion infrastructure investment targeting at moving freight off of several congested truck routes between New York and New Orleans;
- ▶ Union Pacific: Sunset Corridor – double-tracking project between Los Angeles and El Paso, TX; Blair double track project to increase capacity on its Central Corridor in the Midwest
- ▶ Kansas City Southern: Recently completed Victoria-Rosenberg build-out creates more efficient cross-border route between the U.S. and Mexico
- ▶ Canadian National: Mid-America Corridor – joint initiative with Norfolk Southern to create shorter and more efficient routes to move coal from the Illinois Basin to electric utilities in the Southeast; Recent EJ&E Rail acquisition provides long-term solution to Chicago congestion problems
- ▶ Canadian Pacific: Recently announced infrastructure upgrade in the U.S. Midwest to add new and extended sidings; Possible build-out into the Powder River Basin coal mines

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