

House Transportation & Infrastructure Committee: Forum on Freight Rail Finance

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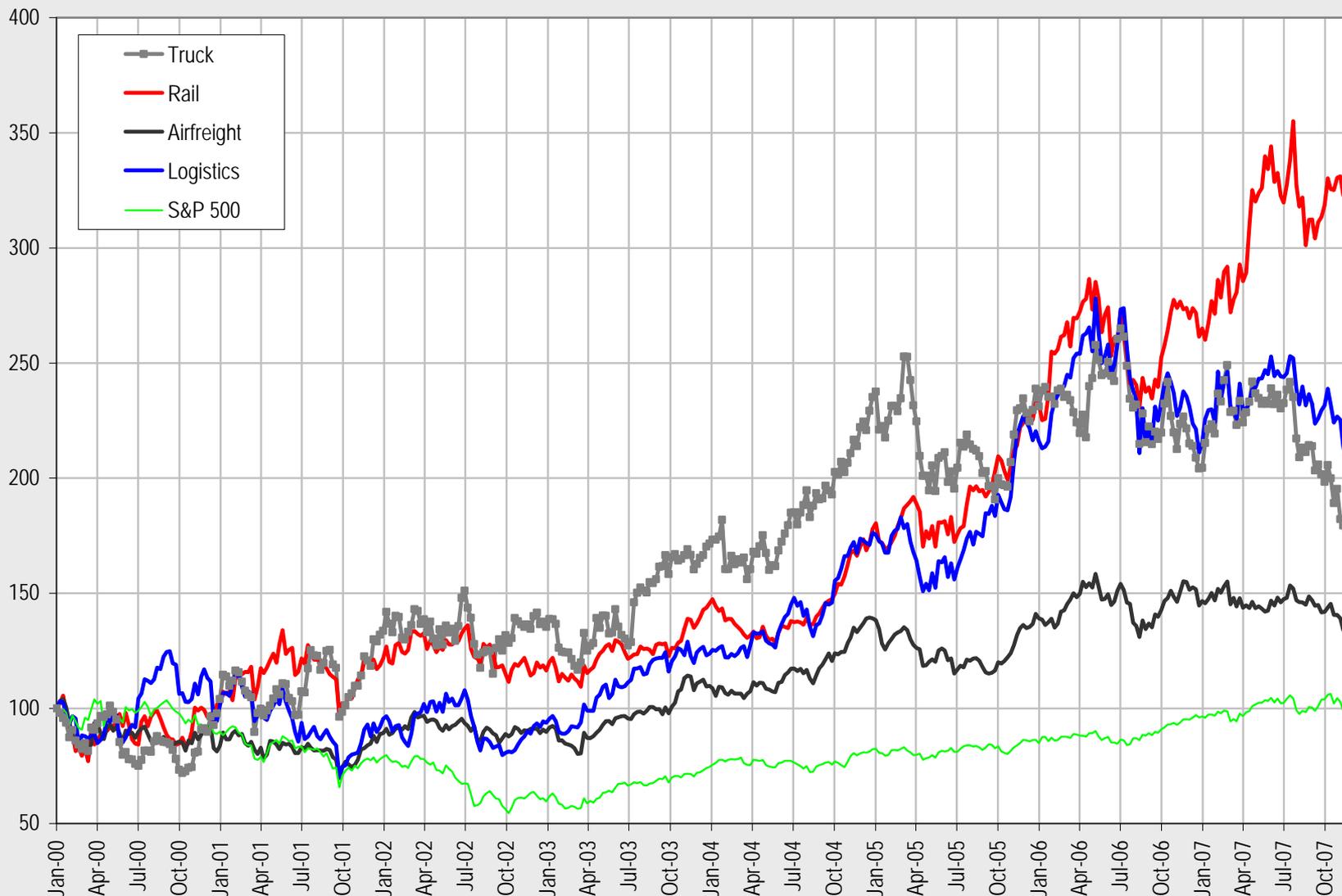
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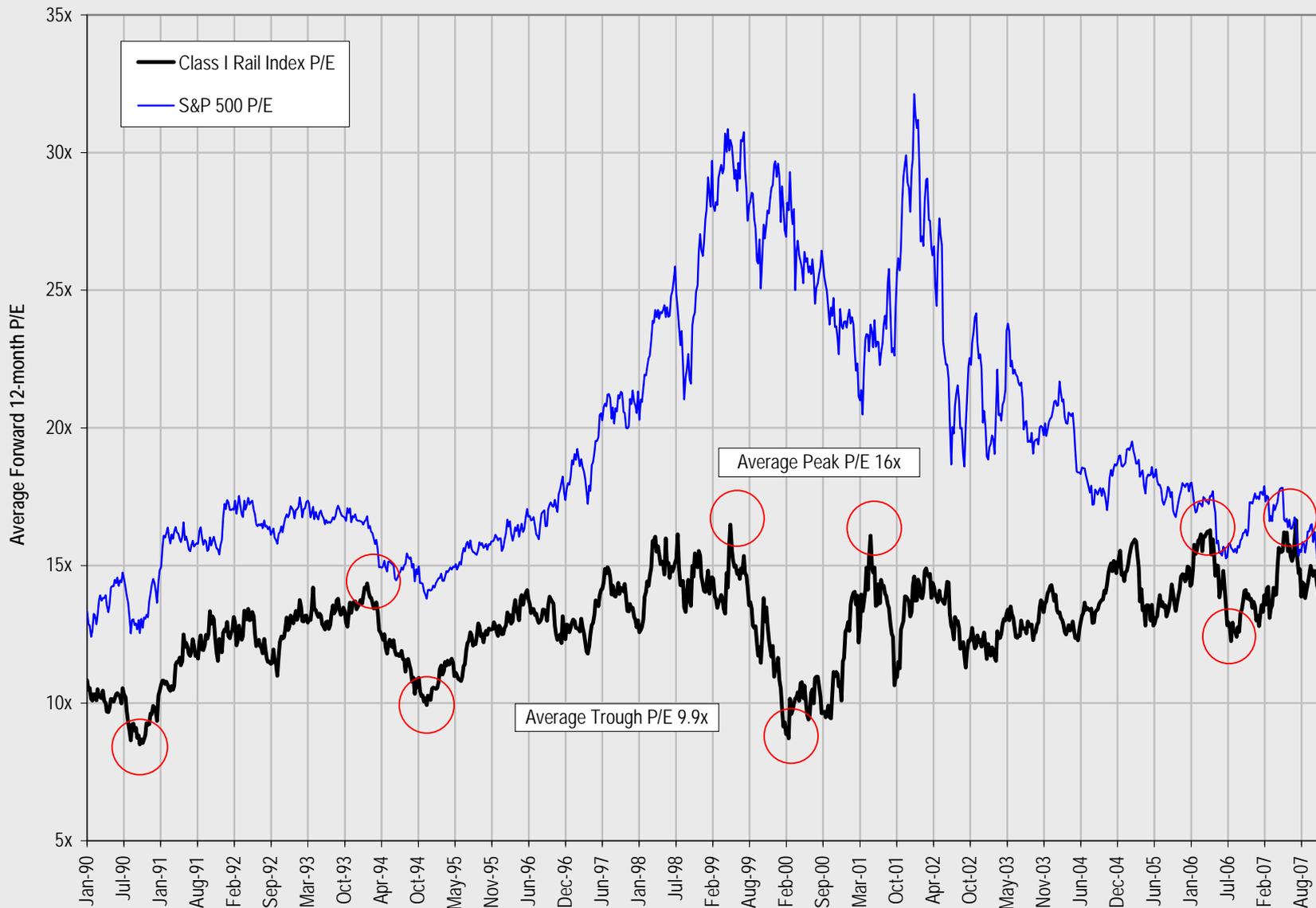
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Transport Stock Performance Vs. the S&P 500



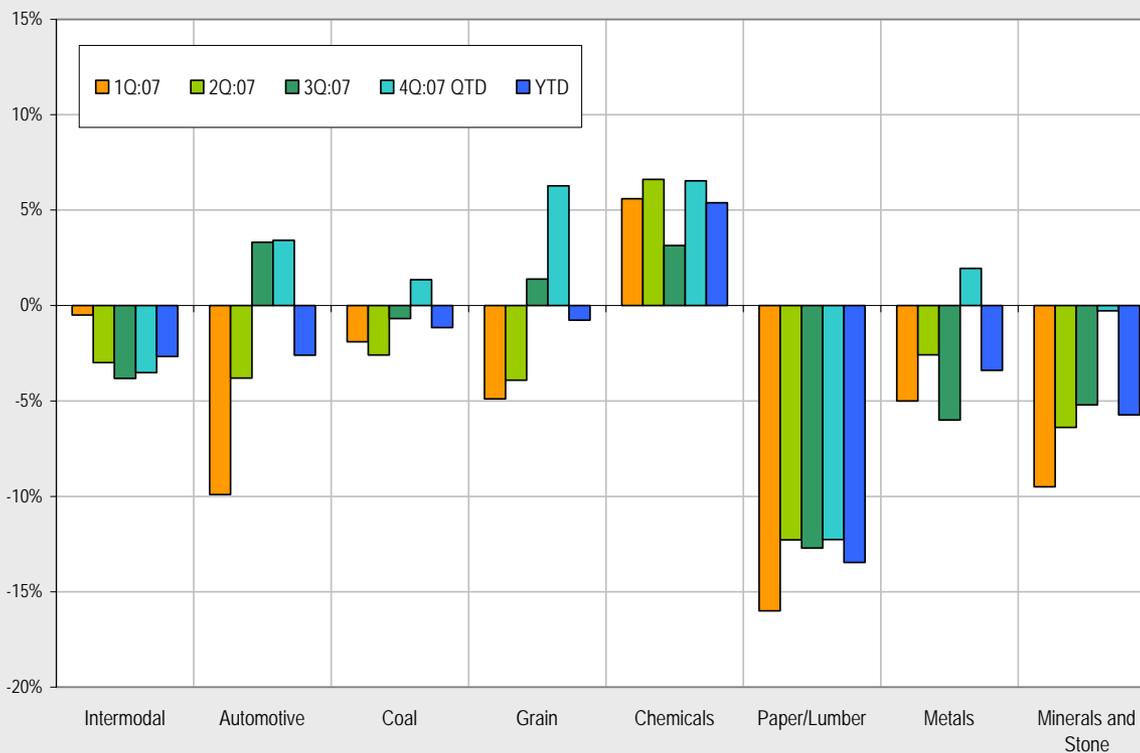
Rail index includes BNI, CNI, CP, CSX, NSC, UNP. Truck index includes CVTI, HTLD, JBHT, KNX, MSCA, SWFT, WERN, XPRSA, ABFS, AFWY, CNF, ODFL, ROAD, SAIA, USFC, YRCW. Airfreight index includes ABF, FDX, TP, UPS. Logistics index includes CHRW, CRCL, EAGL, EXPD, FRTZ, FWRD, LSTR, PACR, UTIW, AEIC.
 Source: FactSet Research; Bear Stearns & Co.

Class I Rail Forward P/E Valuation



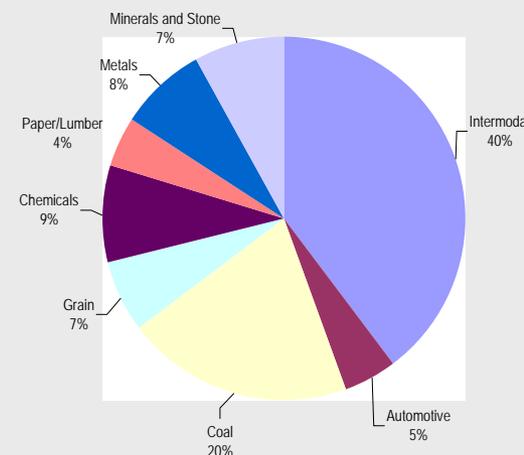
Rail index includes BNI, CNI, CP, CSX, NSC, UNP.
 Source: FactSet Research; Bear Stearns & Co.

Class 1 Rail Volume Growth by Segment



	Total Class1 y-o-y Volume Growth	GDP Growth	Diff.
1Q07	-2.8%	0.6%	-3.4%
2Q07	-2.8%	3.8%	-6.6%
3Q07	-2.4%	4.9%	-7.3%
4Q07 QTD ⁽¹⁾	-0.3%	1.8%	-2.1%
2002	1.7%	1.6%	0.1%
2003	2.7%	2.5%	0.2%
2004	5.2%	3.6%	1.6%
2005	3.1%	3.1%	0.0%
2006	2.8%	2.9%	-0.1%

3Q07 Volume Mix

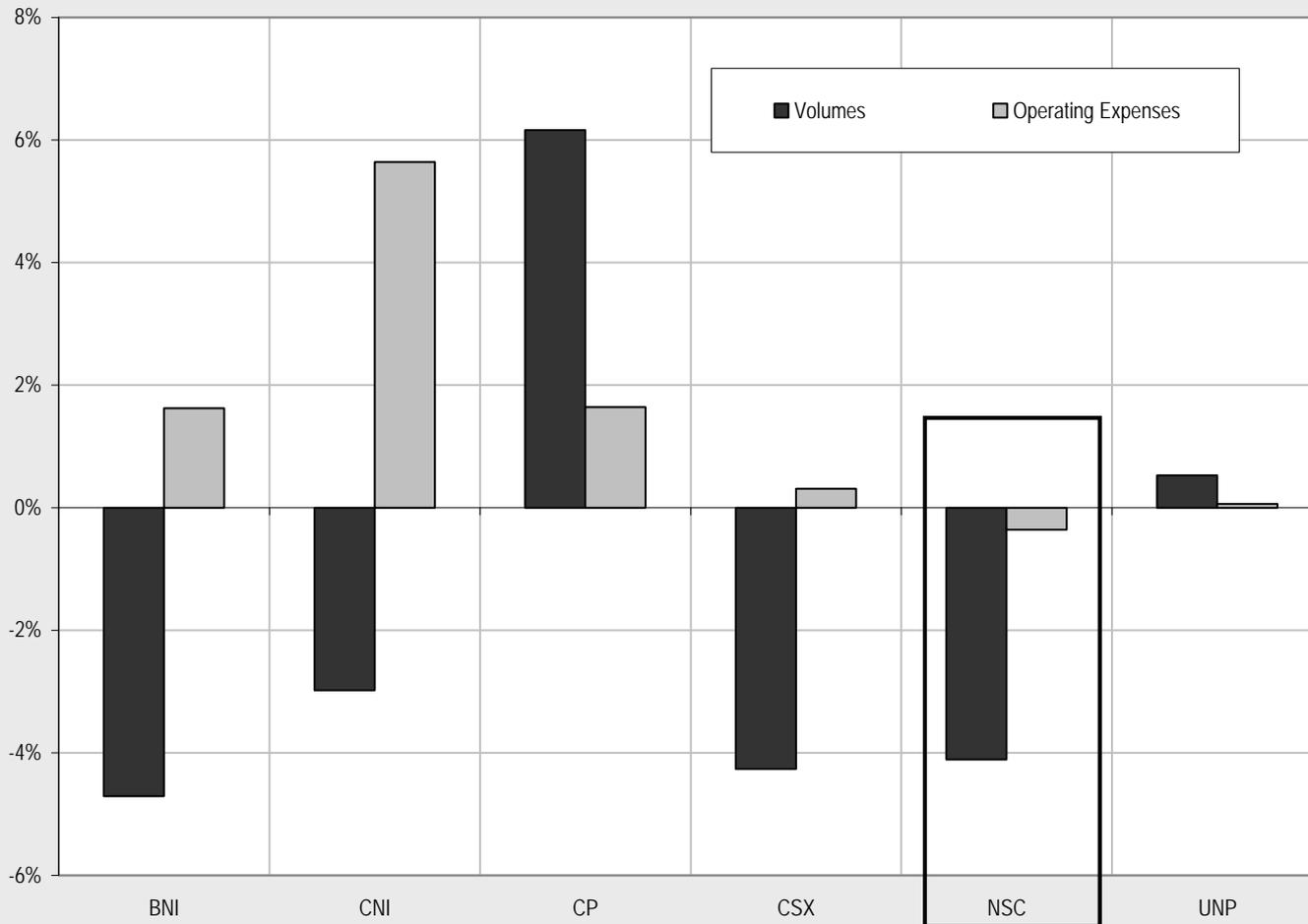


(1) 4Q07 QTD data thru Week 44, Week ending 11/3/2007, (2) 3Q07 GDP reflects preliminary 3Q reported, (3) 4Q07 GDP as estimated by Blue Chip Economic Indicators Consensus. Source: GDP as reported by Bureau of Economic Analysis; AAR; Bear, Stearns & Co. Inc.

Rail Volumes vs. Operating Expense Growth



Class I Rail 3Q07 Y-o-Y Volumes Vs. Operating Expense Growth

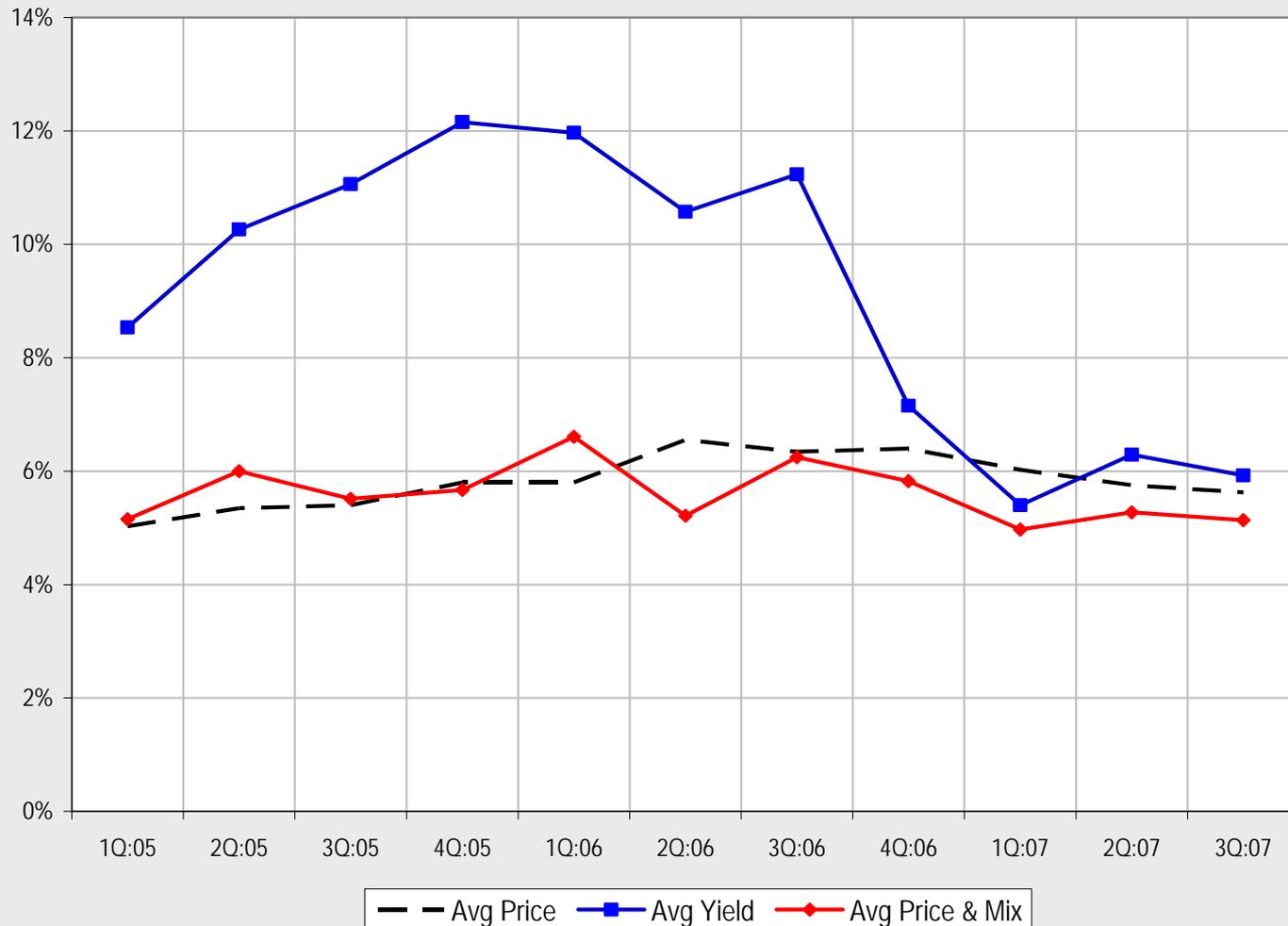


Source: Company reports, Bear, Stearns & Co. Inc.

Rail Yield Growth



U.S. Class I Rail Yield, Price and Price & Mix Growth y-o-y



Source: Company reports, Bear, Stearns & Co. Inc. estimates

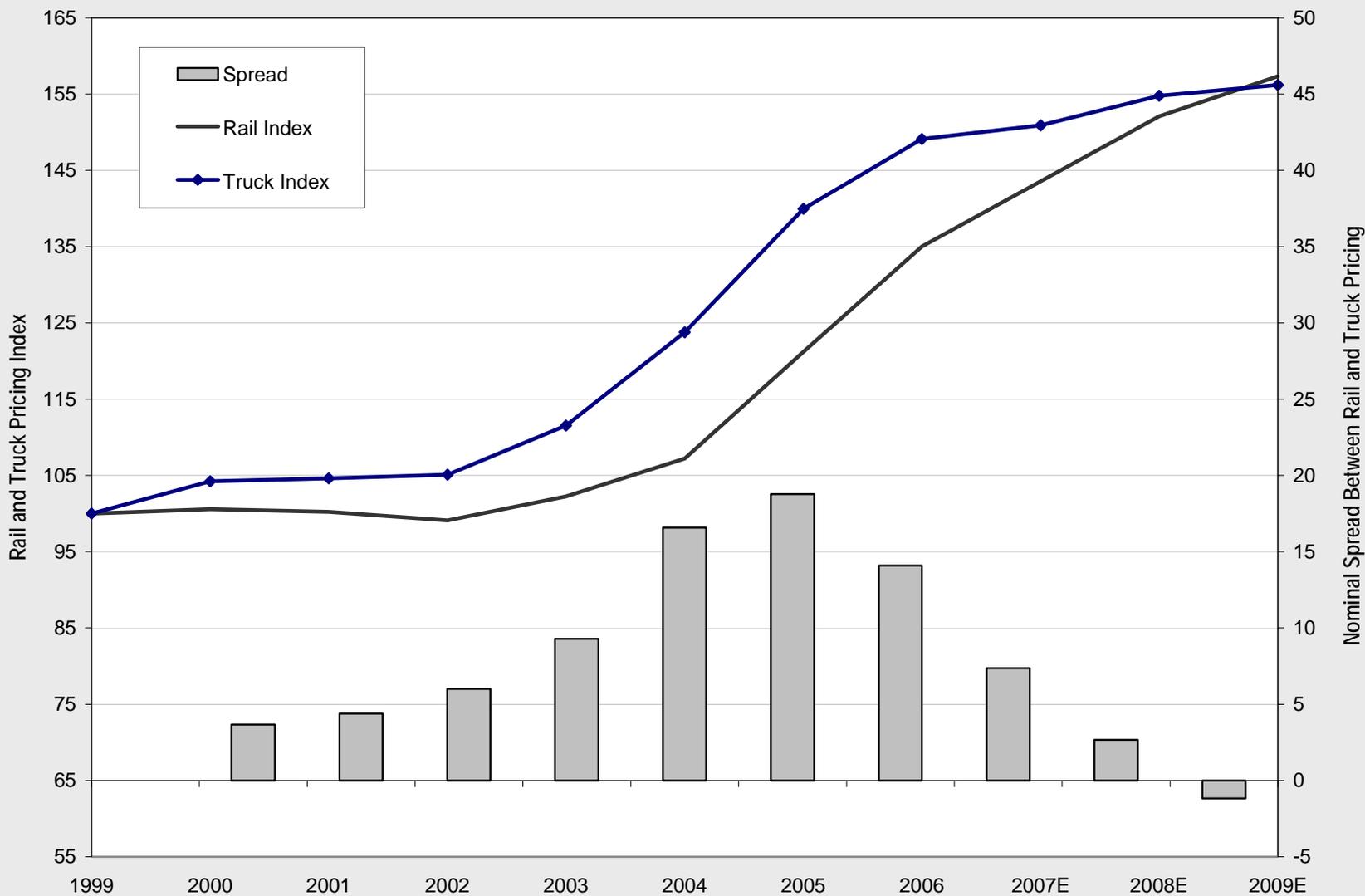
Estimated Large-Cap Class I Rail Pricing for 2008



	% of Rail Business	Conservative Assumed Rate Increase	More Aggressive Assumed Rate Increase
Tariff	30%	2.5%	6.0%
1-2 Year Contract	20%	3.0%	5.0%
Long Term Contracts Being Repriced for 1st Time	7%	25.0%	35.0%
Long Term Contract <u>Not Yet</u> Repriced (RCAF adjusted)	23%	2.5%	2.5%
Truck Competitive Business	20%	-2.0%	1.0%
Implied Total	100%	3.3%	6.0%

Source: Bear, Stearns & Co. Inc. estimates

Rail Vs. Truck Pricing Index



Source: Company reports; Bear Stearns & Co. estimates

Capex Trends by Company



Total Capital Spending (\$ in Millions)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007E	2008E	5-Yr. Avg.	12-Yr. Avg.
BNI	\$1,935	\$2,714	\$2,598	\$2,767	\$2,526	\$1,762	\$1,608	\$1,505	\$1,726	\$1,990	\$2,179	\$2,614	\$2,550	\$2,550	\$2,003	\$2,160
CNI (US\$)	404	400	\$663	724	738	743	684	598	749	825	975	1,141	1,495	1,550	858	720
CP (US\$)	511	395	620	738	567	385	359	357	493	519	731	698	831	890	559	531
CSX	972	1,220	943	1,115	1,256	859	879	1,036	1,059	1,030	1,136	1,639	1,700	1,600	1,180	1,095
NSC	939	957	960	956	912	731	746	695	720	1,041	1,025	1,178	1,405	1,455	932	905
UNP	1,903	2,076	2,101	2,110	2,158	2,315	2,196	2,359	2,071	2,402	2,869	2,742	3,100	3,100	2,489	2,275
Total (US\$)	\$6,664	\$7,761	\$7,885	\$8,410	\$8,157	\$6,795	\$6,472	\$6,550	\$6,818	\$7,807	\$8,914	\$10,012	\$11,081	\$11,145	\$8,020	\$7,687
Canadian Rails	915	794	1,283	1,462	1,305	1,128	1,043	955	1,242	1,344	1,705	1,839	2,326	2,440	1,417	1,251
US Rails	5,749	6,967	6,602	6,948	6,852	5,667	5,429	5,595	5,576	6,463	7,209	8,173	8,755	8,705	6,603	6,436

% Change (Y-o-Y)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007E	2008E	5-Yr. Avg.	12-Yr. Avg.
BNI	-	40.3%	-4.3%	6.5%	-8.7%	-30.2%	-8.7%	-6.4%	14.7%	15.3%	9.5%	20.0%	-2.4%	0.0%	10.6%	4.3%
CNI	-	-1.1%	65.9%	9.2%	1.9%	0.7%	-8.0%	-12.6%	25.2%	10.2%	18.1%	17.1%	31.0%	3.7%	11.6%	11.5%
CP	-	-22.8%	57.1%	19.1%	-23.2%	-32.2%	-6.7%	-0.7%	38.4%	5.1%	40.9%	-4.5%	19.1%	7.1%	15.8%	6.4%
CSX	9.3%	25.4%	-22.7%	18.2%	12.6%	-31.6%	2.3%	17.9%	2.2%	-2.7%	10.3%	44.3%	3.7%	-5.9%	14.4%	7.1%
NSC	-6.9%	2.0%	0.3%	-0.4%	-4.6%	-19.8%	2.1%	-6.8%	3.6%	44.6%	-1.5%	14.9%	19.3%	3.6%	10.9%	2.3%
UNP	29.0%	9.1%	1.2%	0.4%	2.3%	7.3%	-5.1%	7.4%	-12.2%	16.0%	19.4%	-4.4%	13.1%	0.0%	5.2%	5.9%
Total (US\$)	13.1%	16.5%	1.6%	6.7%	-3.0%	-16.7%	-4.8%	1.2%	4.1%	14.5%	14.2%	12.3%	10.7%	0.6%	9.3%	5.0%
Canadian Rails	-	-11.9%	61.5%	14.2%	-10.6%	-15.7%	-7.3%	-6.6%	31.8%	7.6%	29.5%	6.3%	25.1%	5.4%	13.7%	8.2%
US Rails	13.1%	21.2%	-5.2%	5.2%	-1.4%	-17.3%	-4.2%	3.1%	-0.3%	15.9%	11.5%	13.4%	7.1%	-0.6%	8.7%	4.6%

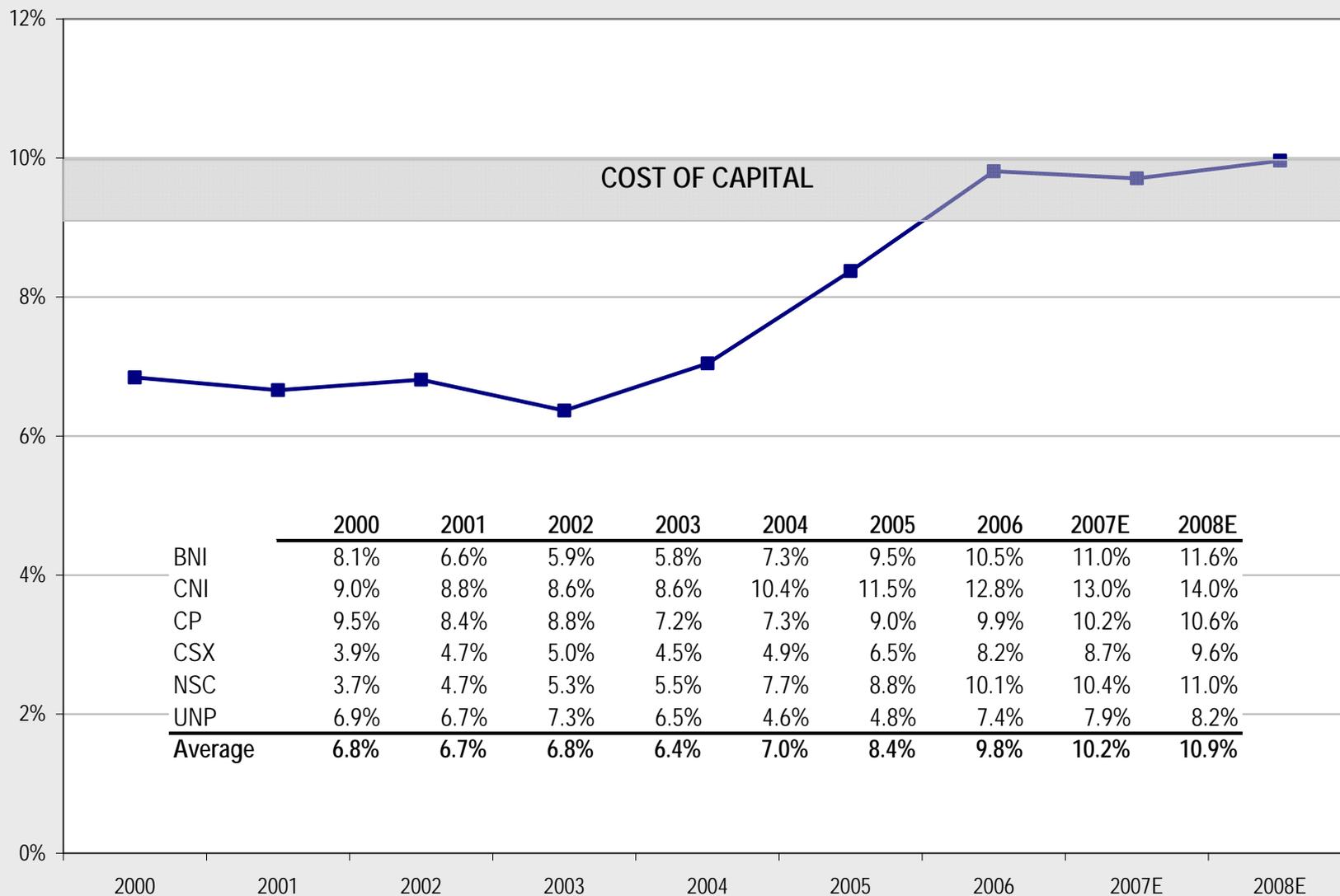
% of Revenue

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007E	2008E	5-Yr. Avg.	12-Yr. Avg.
BNI	23.7%	33.1%	30.9%	30.9%	27.5%	19.1%	17.5%	16.8%	18.3%	18.2%	16.8%	17.4%	16.3%	15.5%	17.5%	22.5%
CNI	10.7%	10.5%	17.5%	20.9%	20.9%	20.3%	18.7%	15.4%	17.7%	15.9%	15.8%	16.4%	20.0%	18.5%	16.2%	16.7%
CP	18.7%	14.5%	24.5%	31.5%	24.1%	15.6%	15.0%	15.3%	18.8%	17.3%	20.1%	17.3%	18.8%	18.2%	17.7%	19.4%
CSX	13.7%	17.1%	13.1%	15.6%	19.1%	11.9%	12.2%	14.4%	14.2%	12.8%	13.2%	17.1%	17.1%	15.2%	14.4%	14.5%
NSC	15.2%	15.3%	15.1%	15.3%	14.6%	11.9%	12.1%	11.1%	11.1%	14.2%	12.1%	12.5%	15.1%	14.9%	12.2%	13.4%
UNP	20.1%	20.5%	21.0%	22.3%	21.2%	21.4%	20.3%	21.1%	17.9%	19.7%	21.1%	17.6%	19.0%	18.0%	19.5%	20.4%
Total Class I's	17.0%	18.5%	20.4%	22.7%	21.2%	16.7%	16.0%	15.7%	16.4%	16.3%	16.5%	16.4%	17.7%	16.7%	16.3%	17.8%
Canadian Rails	14.7%	12.5%	21.0%	26.2%	22.5%	18.0%	16.9%	15.3%	18.2%	16.6%	18.0%	16.8%	19.4%	18.4%	17.0%	18.1%
US Rails	18.2%	21.5%	20.0%	21.0%	20.6%	16.1%	15.5%	15.9%	15.4%	16.2%	15.8%	16.2%	16.9%	15.9%	15.9%	17.7%

Note: Includes off-balance sheet leases; 5 and 12 year averages through 2006

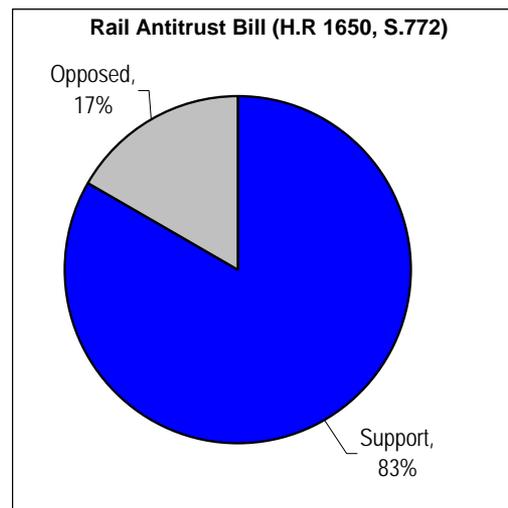
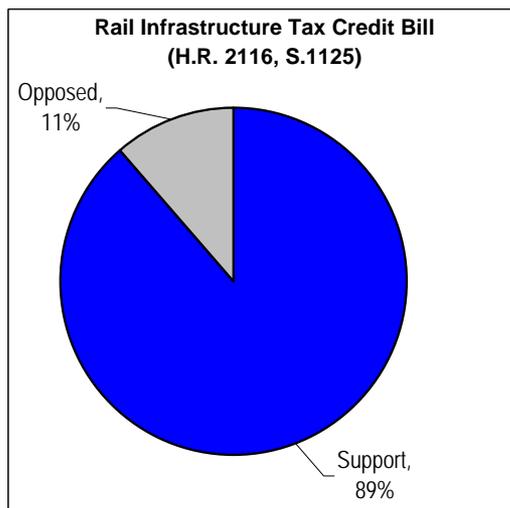
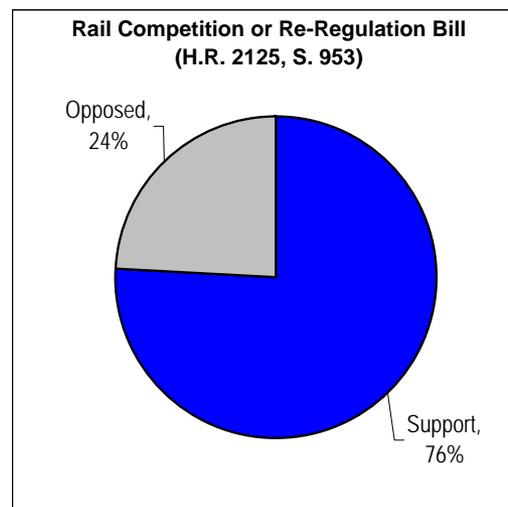
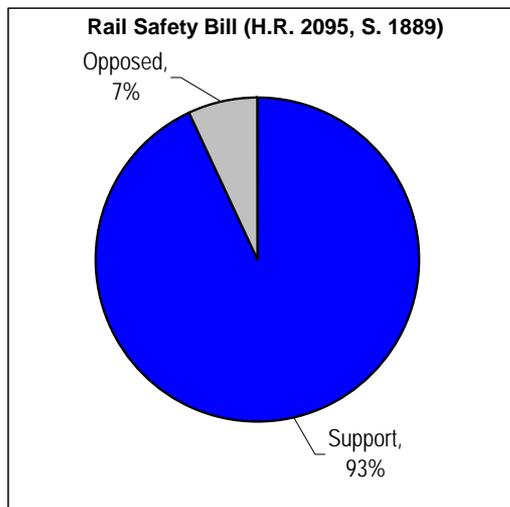
Source: Company reports; Bear Stearns & Co. estimates

Railroad Returns Vs. Cost of Capital



Note: Return on capital = Net Income minus Other Income, divided by average shareholder's equity plus total debt including off-balance sheet debt
 Source: Company reports; Bear Stearns & Co. estimates

Shipper Survey – What Bills Do You Support?



Source: Bear Stearns & Co. 3Q:07 Supply Chain Indicator Report



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ADDENDUM

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