

# Faster Freight Cleaner Air Conference



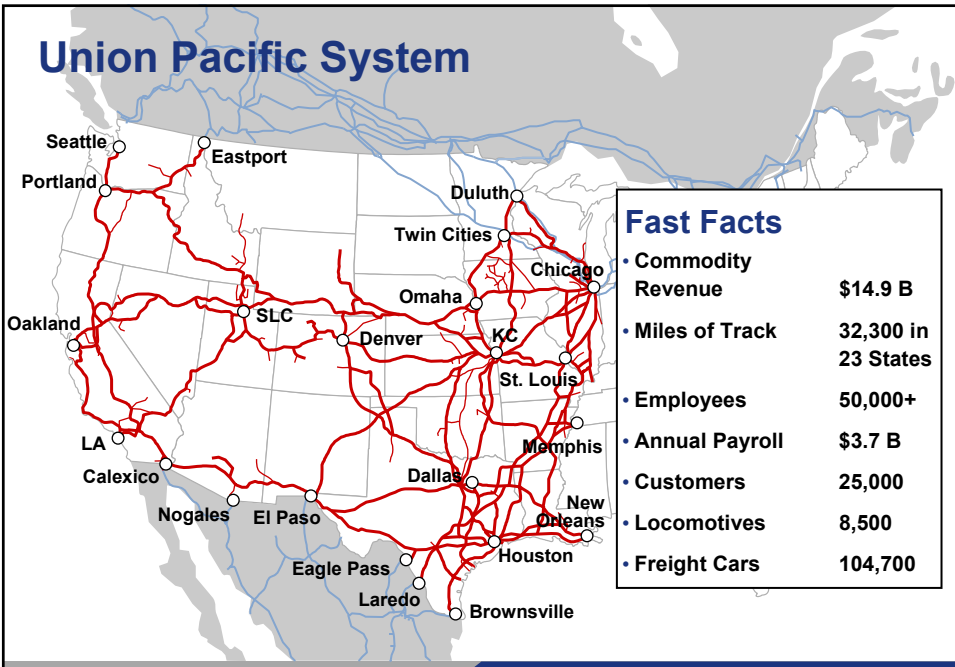
February 27, 2007

Jim Young, Chairman & CEO

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## Union Pacific System



### California Fast Facts

- Miles of Track 3,455
- Employees 5,981
- 2004-2006 New Hires 3,171
- 2006 Payroll \$422 M

### LA Service Unit Fast Facts

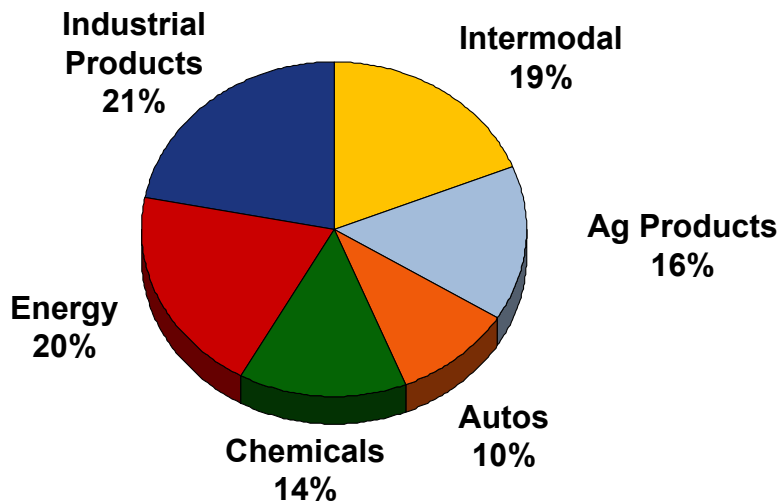
- Miles of Track 1,271
- Employees 1,803

- UP System
- LA Service Unit



### Business Dimensions

2006 Commodity Revenue \$14.9 Billion



## Union Pacific Hauls . . .

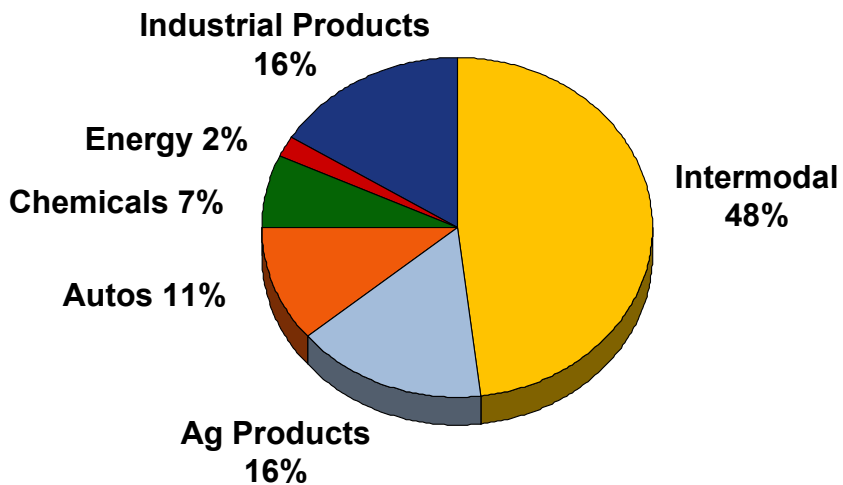


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## California Business Dimensions

2006 Commodity Revenue \$4.4 Billion



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## Benefits of Freight Rail

- Safety & Security
- Traffic Congestion Relief
- Investment in Your Community
- Efficient & Economic Freight Shipment
- Environmentally Friendly Transportation



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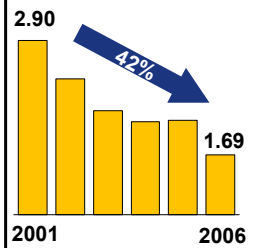


## Safety - Top Priority



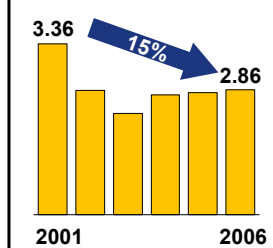
### Employee

Reportable Injuries  
Per 200,000 Man-Hours



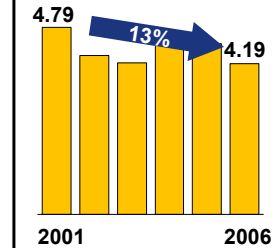
### Public

Crossing Accidents  
Per Million Train Miles



### Customer

Reportable Incidents  
Per Million Train Miles



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## Security

- UP Works Closely with TSA & Homeland Security
- Technology Creates Safer, More Secure Operations on Our System & at the Borders
- Training is Critical



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## Benefits of Freight Rail

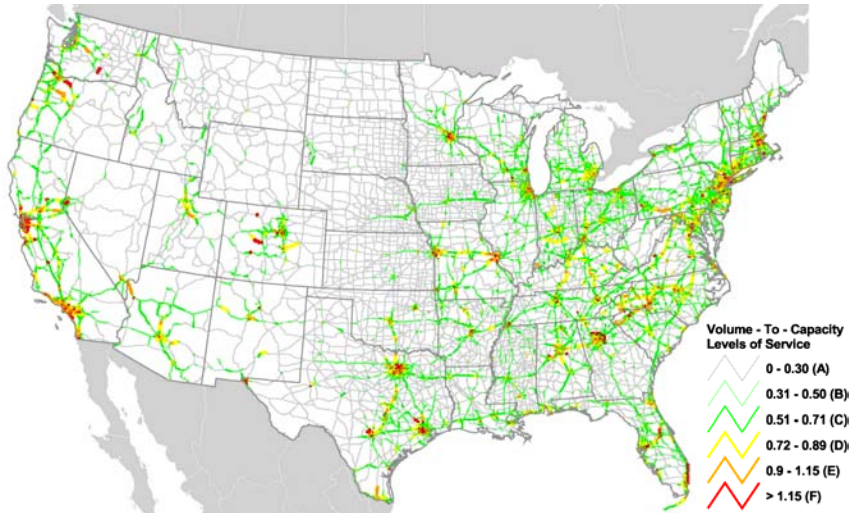
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## Congested Highways, 2000

*Congestion Disrupts Truck-Freight Service by Making Trips Slower, Less Reliable, and More Expensive*



Source: FHWA HPMS data

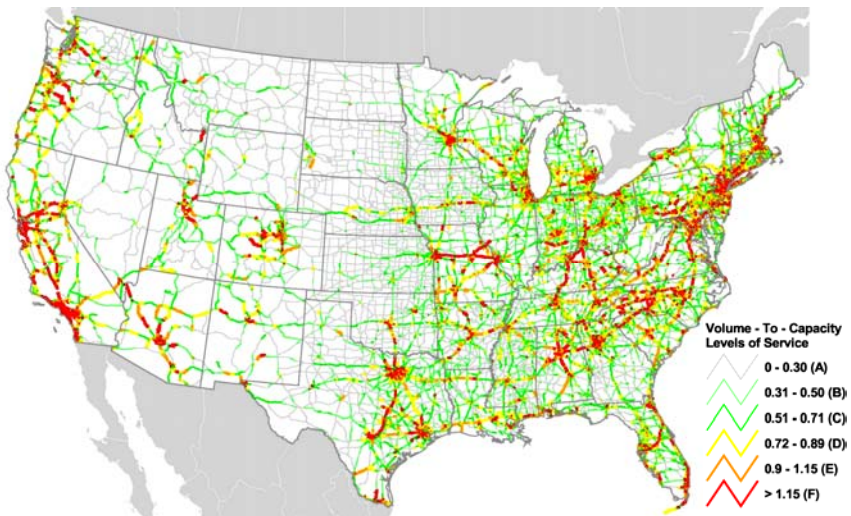
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## Potential Congested Highways, 2020

*As Congestion Grows, Trucks Will be Exposed to More Delay; Without More Capacity, Logistics Costs Will Rise*

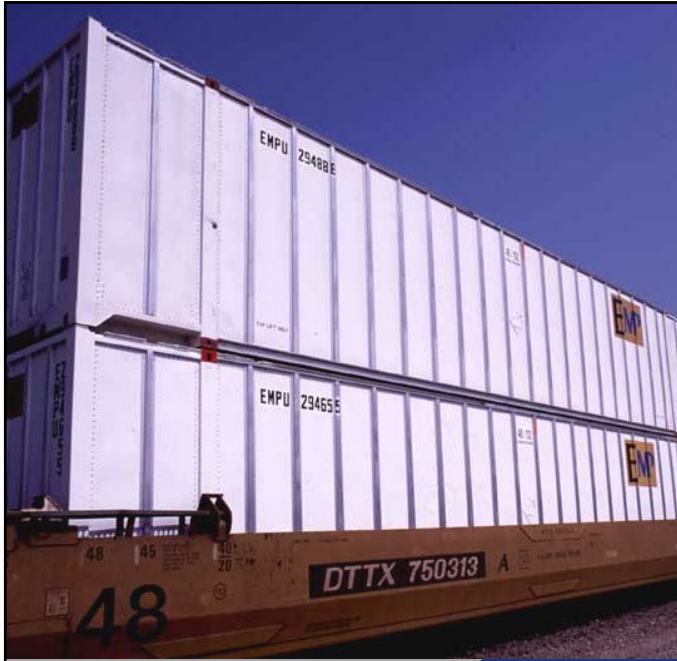


Source: FHWA HPMS data

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## Highway Congestion:

- Highway Delay Exceeds Two Billion Hours Annually
- Costs Tens of Billions of Dollars in Lost Wages & Wasted Fuel
- Each Train Takes 280 Trucks off Congested Highways
- Faster Freight Reduces Waiting Time at Crossings

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## Investing in California

### 2006 UP California Spending

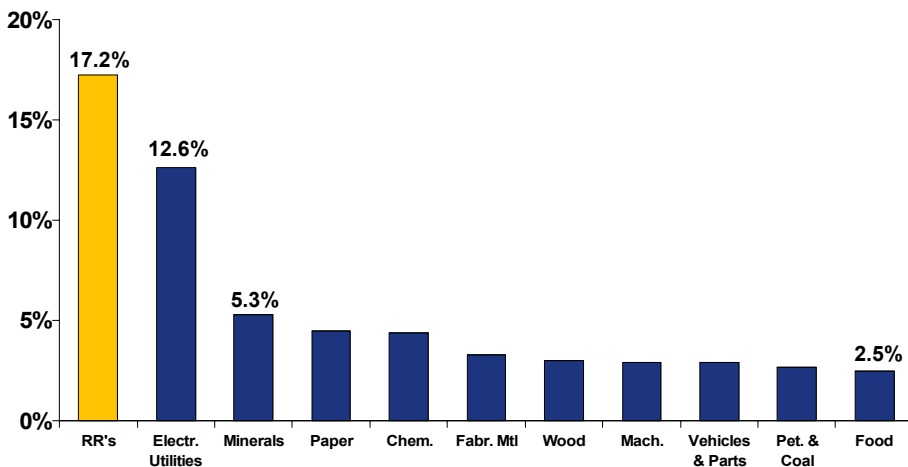
Commercial Facilities	\$16 M
Capacity & Infrastructure Renewal	\$197 M

### 2007 Projected UP California Spending

Commercial Facilities	\$55 M
Capacity & Infrastructure Renewal	\$222 M

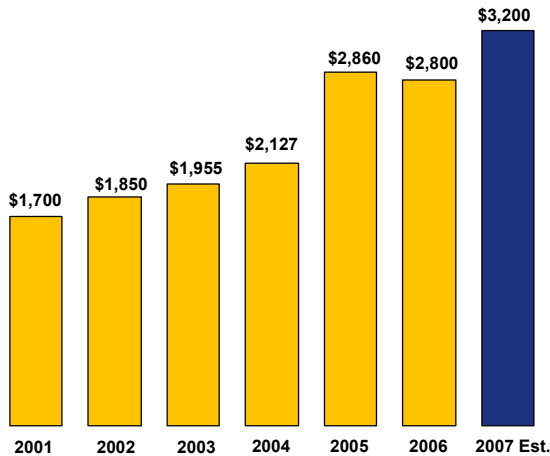
## Railroading Is Capital Intensive

*Average Capital Spending as a Percent of Revenue*



Source: U.S. Census Bureau; EEI, AAR, Average 1996-2005 (Note: Utilities are 1999-2005)

## Capital Spending In Millions



- Track
- Ties
- Terminals
- Locomotives
- Technology

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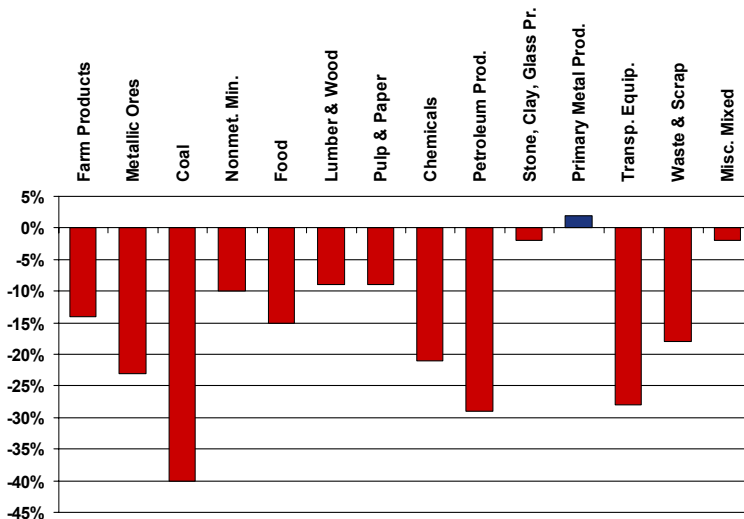
## Freight Railroads Provide Efficient & Economic Transportation



***Railroads Must be Part of the Solution for . . .***

- . . . Cost-competitive Transportation for U.S. Businesses***
- . . . Helping Keep Consumer Prices Low***
- . . . Addressing the Nation's Growing Transportation Needs***

## Inflation-Adjusted Rail Rates Declined (Selected Commodities 1990 - 2005)



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## Environmental “Fast Facts”

- Railroads are Three Times More Fuel Efficient Than Trucks
- Railroads Can Move One Ton of Freight 750 Miles per Gallon of Fuel
- Since 1980, Railroads . . .
  - Improved Fuel Efficiency by 72 Percent
- Since 1995, UP . . .
  - Improved Fuel Efficiency 12 Percent
  - Reduced Pollutants 12 Percent
- Since 2000, UP . . .
  - Reduced NOx 60 Percent
  - Reduced Particulate Matter Emissions 40 Percent

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## Green Locomotive Technology Tour

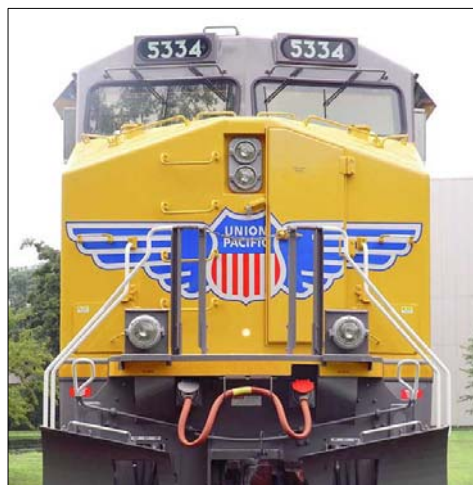


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## Focused on Environmental Improvements

- Tier 2 Locomotives
- Smart Start
- Genset Yard Locomotives
- Green Goats Hybrid Yard Locomotives
- Diesel Particulate Filters
- Oxidation Catalyst Devices



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