

Keeping Score; Weekly Railroad Update

SECTOR REVIEW

Research Analysts

Christopher J. Ceraso, CFA
212 538 4529
chris.ceraso@credit-suisse.com

Allison M. Landry
212 325 3716
allison.landry@credit-suisse.com

Liam O'Donovan
212 325 5869
liam.odonovan@credit-suisse.com

Trends Improve Sequentially, But Rails Say No Green Shoots Yet

- **Bottom Line:** Rail carload volumes declined 21.9% during Week 20, slightly better than the 23.5% drop seen in the previous week. Sequentially, much of the improvement owed to a (temporary) snap-back in coal volumes. Otherwise, the rest of the categories remained at depressed levels similar to those in the prior week.
- Rail volumes (or lack thereof) were an important topic at the North American Rail Shippers Association (NARS) annual meeting in Chicago this week (See our note *Thoughts from NARS – No Green Shoots but Pricing Still Firm; Antitrust Bill Looms*, published May 29, 2009). The key takeaway from a panel of Chief Marketing Officers is that they have yet to see any meaningful signs of economic growth or recovery.
- This bleak view on freight volumes is also consistent with recent commentary from the American Trucking Associations, who believe that it could be a few more months before freight hits bottom.
- **Volumes:** Sharp declines across the board persisted in Week 20. We observed the most pronounced year-over-year shortfalls in metallic ores and minerals (-65.4%), motor vehicles and equipment (-47.2%), forest products (-31.2%), non-metallic minerals (-25.2%) and coal (-11.1%).
- Declines by rail for the week were as follows: BNI (-17.6%); CSX (-20.1%); CP (-23.6%); NSC (-24.2%); UNP (-24.2%); and CNI (-29.9%). Taking mix into account, our volume/mix score shows that CSX remains the best performer and UNP remains the worst in thus far in 2Q09.
- **Service:** Changes in service scores were relatively muted across the board during Week 20. However, overall service levels on an absolute basis remain strong relative to the prior year (continuing recent trends, velocity is up while terminal dwell hours and cars on line are down). In terms of the rankings, they remained unchanged from Week 19. CNI kept its stronghold on the lead spot and CP retained its bottom position
- **Composite Score:** Looking at the combined effects of volume/mix and service, we arrive at a composite score for each railroad. For Week 20, CNI was again the top performer and NSC was again the worst.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS. FOR OTHER IMPORTANT DISCLOSURES, visit www.credit-suisse.com/researchdisclosures or call +1 (877) 291-2683. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Customers of Credit Suisse in the United States can receive independent, third party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can access this independent research at www.credit-suisse.com/ir or call 1 877 291 2683 or email equity.research@credit-suisse.com to request a copy of this research.

Current Rail Volume Data

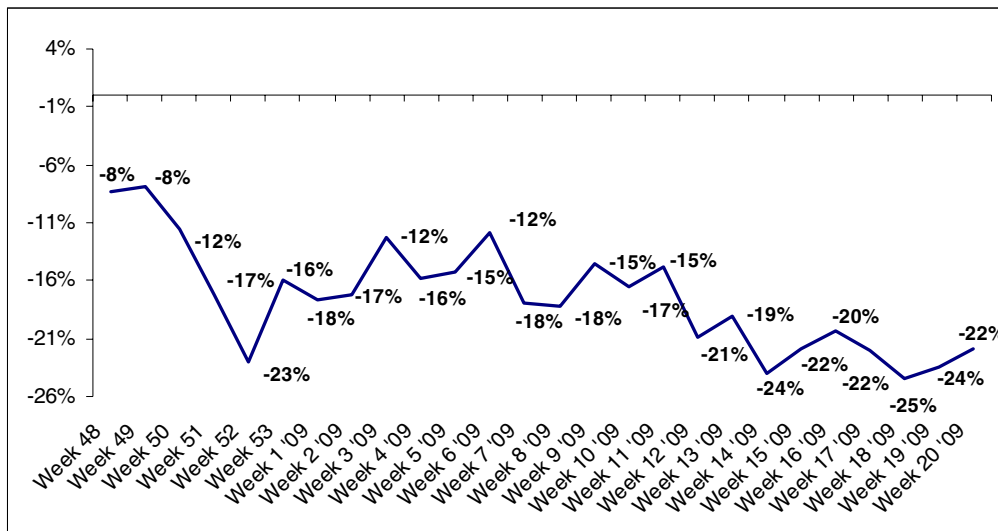
Rail carload volumes declined 21.9% during Week 20, slightly better than the 23.5% drop seen in the previous week. Sequentially, much of the improvement owed to a much smaller decline in coal volumes. Otherwise, the rest of the categories remained at depressed levels similar to those in the prior week.

Rail volumes (or lack thereof) were an important topic at the North American Rail Shippers Association (NARS) annual meeting in Chicago this week (See our note *Thoughts from NARS – No Green Shoots but Pricing Still Firm; Antitrust Bill Looms*, published May 29, 2009). The key takeaway from a panel of Chief Marketing Officers is that they have yet to see any meaningful signs of economic growth or recovery.

This bleak view on freight volumes is also consistent with recent commentary from the American Trucking Associations, who believe that it could a few more months before freight hits bottom.

Exhibit 1 shows weekly industry volume trends over the past 4 months.

Exhibit 1: Year-over-Year Carload Declines – Week 48 2008 to Week 19 2009

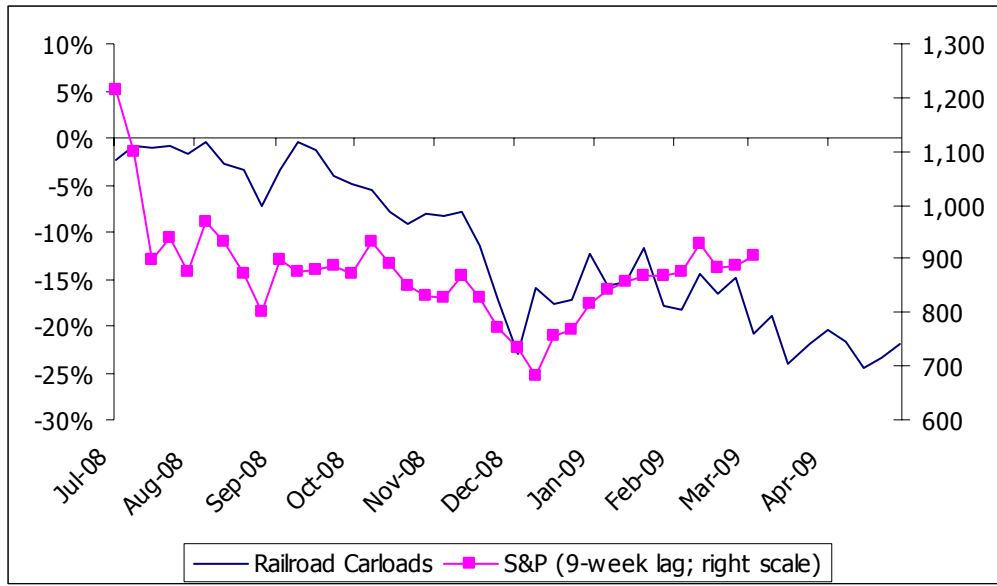


Source: AAR, Credit Suisse estimates for weeks 47 & 48 2008; Weeks 1-6 2009 Restated to include CP's acquisitions of DM&E and IC&E.

Carload Declines Foreshadow Market Slide

In Exhibit 2 we show a comparison of the weekly year-over-year carloads with weekly S&P 500 historical prices (lagged by 9-weeks to achieve the best historical fit). The chart suggests that the S&P could be headed for a fall in the coming weeks.

Exhibit 2: Rail Carloads vs S&P 500 (9-week lag)



Source: Company data, Credit Suisse estimates

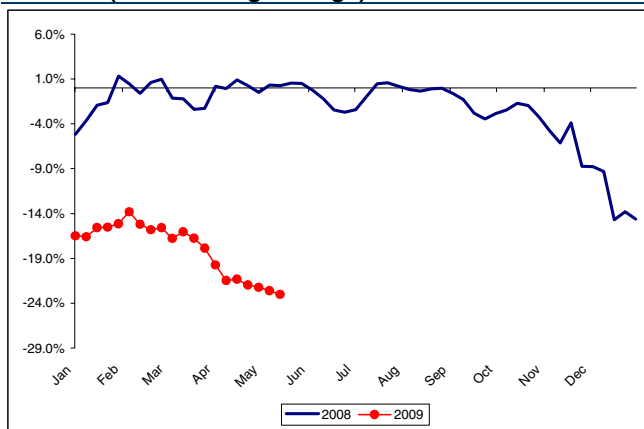
Exhibit 3 shows the percentage change in volumes by major categories over the past several weeks. By commodity type, we saw sequential improvements in coal (-11% vs. -18%), industrial products (-34% vs. -35%) and automotive (-47% vs. -48%). Conversely, agricultural products deteriorated to -15% (from -14% in Week 19) and intermodal volumes remained flat at -19.0%.

Exhibit 3: Year-over-year Declines by Category

	<u>Coal</u>	<u>Agricultural Products</u>	<u>Intermodal</u>	<u>Industrial Products</u>	<u>Automotive</u>	<u>Total</u>
Week 1	-2%	-24%	-14%	-29%	-67%	-17%
Week 2	-3%	-25%	-14%	-25%	-63%	-17%
Week 3	-4%	-12%	-8%	-21%	-58%	-12%
Week 4	-5%	-16%	-14%	-22%	-54%	-16%
Week 5	-7%	-7%	-14%	-24%	-49%	-15%
Week 6	-1%	-2%	-11%	-20%	-52%	-12%
Week 7	-3%	-9%	-24%	-20%	-51%	-18%
Week 8	-3%	-14%	-21%	-24%	-48%	-18%
Week 9	-2%	-8%	-13%	-26%	-46%	-15%
Week 10	-3%	-14%	-17%	-26%	-43%	-17%
Week 11	-6%	-7%	-13%	-26%	-40%	-15%
Week 12	-21%	-18%	-16%	-29%	-33%	-21%
Week 13	-11%	-16%	-15%	-28%	-41%	-19%
Week 14	-12%	-17%	-22%	-36%	-52%	-24%
Week 15	-18%	-16%	-18%	-30%	-49%	-22%
Week 16	-15%	-16%	-17%	-30%	-39%	-20%
Week 17	-18%	-17%	-17%	-31%	-38%	-22%
Week 18	-21%	-17%	-20%	-30%	-44%	-25%
Week 19	-18%	-14%	-19%	-35%	-48%	-24%
Week 20	-11%	-15%	-19%	-34%	-47%	-22%

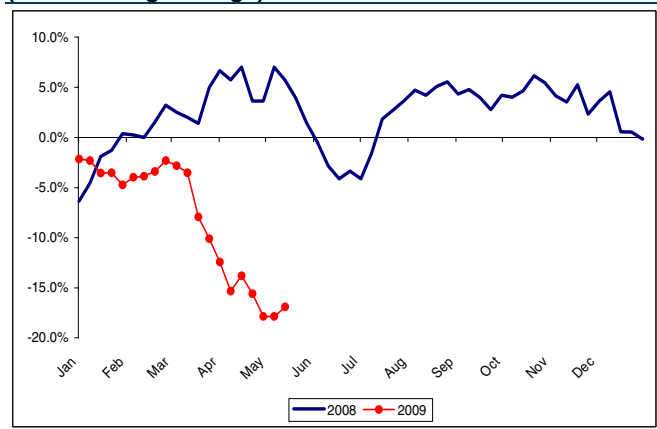
Source: Company data, Credit Suisse estimates

Exhibit 4: 2008 and 2009 YTD Y/Y Chg. in Total Industry Volumes (4-wk moving average)



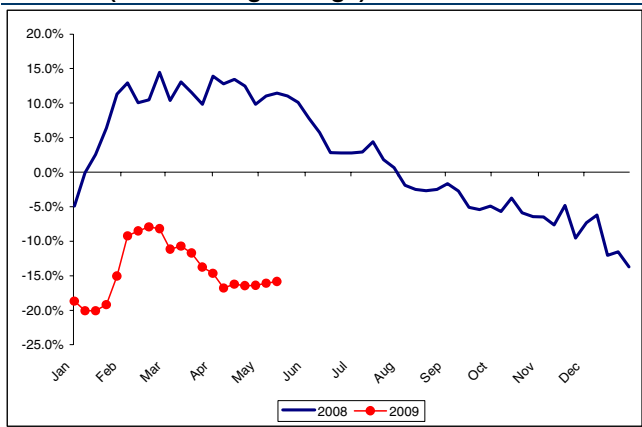
Source: Company data, Credit Suisse estimates

Exhibit 5: 2008 and 2009 YTD Y/Y Chg. in Coal Volumes (4-wk moving average)



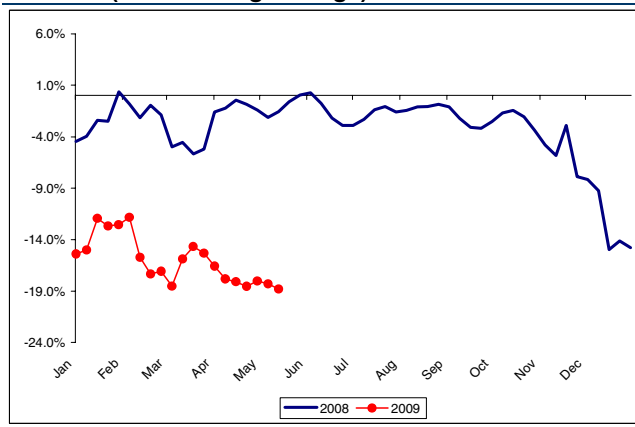
Source: Company data, Credit Suisse estimates

Exhibit 6: 2008 and 2009 YTD Y/Y Chg. in Ag Products Volumes (4-wk moving average)



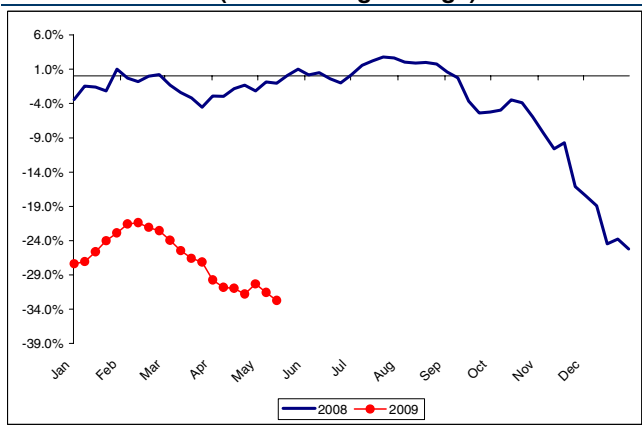
Source: Company data, Credit Suisse estimates

Exhibit 7: 2008 and 2009 YTD Y/Y Chg. in Intermodal Volumes (4-wk moving average)



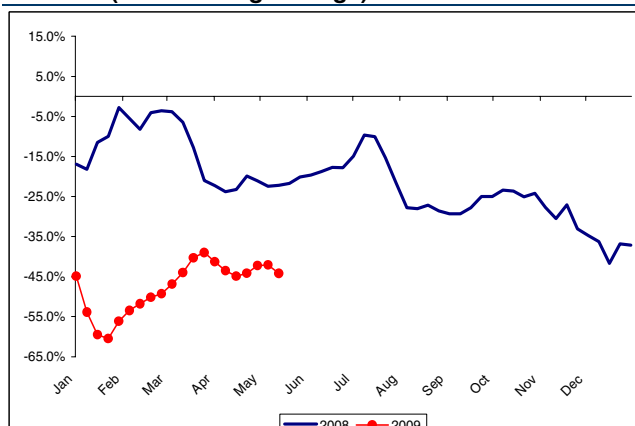
Source: Company data, Credit Suisse estimates

Exhibit 8: 2008 and 2009 YTD Y/Y Chg. in Industrial Products Volumes (4-wk moving average)



Source: Company data, Credit Suisse estimates

Exhibit 9: 2008 and 2009 YTD Y/Y Chg. in Automotive Volumes (4-wk moving average)



Source: Company data, Credit Suisse estimates

Volumes By Rail

Carloads at BNI dropped 17.6% on weakness in metallic ores and minerals (-74.4%), motor vehicles and equipment (-41.5%), forest products (-39.6%) and chemicals (-10.3%). Coal volumes increased 10.0%. BNI's volume score came in at -46.5.

CSX reported a 20.1% decline in carloads in Week 20. The year-over-year decrease was driven by declines in metallic ores and minerals (-54%), motor vehicles and equipment (-42.8%), forest products (-31.9%), coal (-21.2%), and non-metallic minerals and products (-18.2%). CSX's QTD volume score was -41.7.

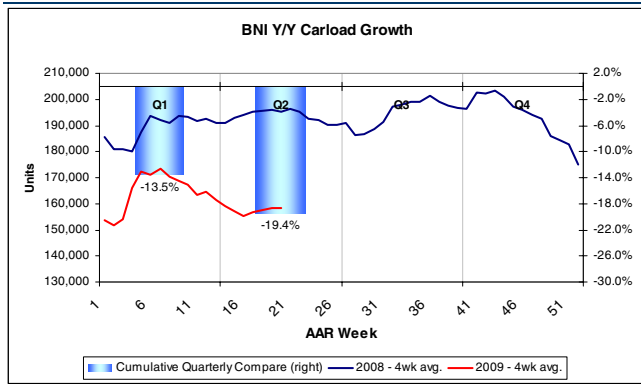
CP posted a carload decline of -23.6% during Week 20 – primarily due to a 39.4% decrease in motor vehicles and equipment, a 55.7% fall in metallic ores and minerals, a 22.3% drop in coal and a 34.9% decline in forest products. CP's QTD carload score was -56.1.

Volumes at NSC fell 24.2% on notable declines in metallic ores and minerals (-52.2%), motor vehicles and equipment (-49.4%), coal (-25.7%), forest products (-29.8%), and intermodal (-18.0%). As such, NSC generated a QTD carload score of -52.2.

Volumes at UNP declined 24.2% on softness in metallic ores and minerals (-59.7%), motor vehicles and equipment (-53.5%), forest products (-42.1%), chemicals (-23.8%) and intermodal (-22.1%). UNP took fifth place with a score of -57.1.

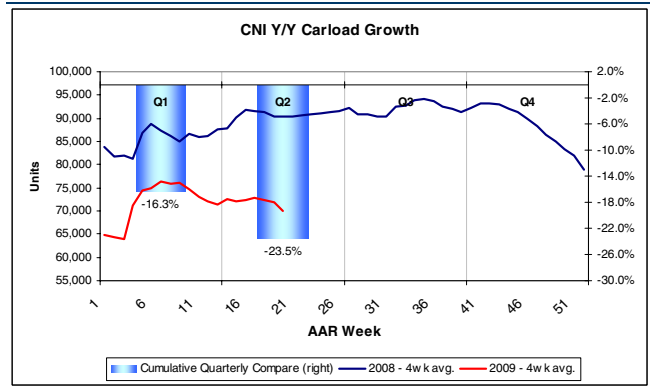
CNI saw carloads drop 29.9% year-over-year – driven by weakness in metallic ores and minerals (-80.1%) non-metallic minerals and products (-28.1%), forest products (-28.0%) and chemicals (-14.5%). CNI's QTD carload score was -46.3.

Exhibit 10: BNI Y/Y Change in Carloads ('09 vs. '08)



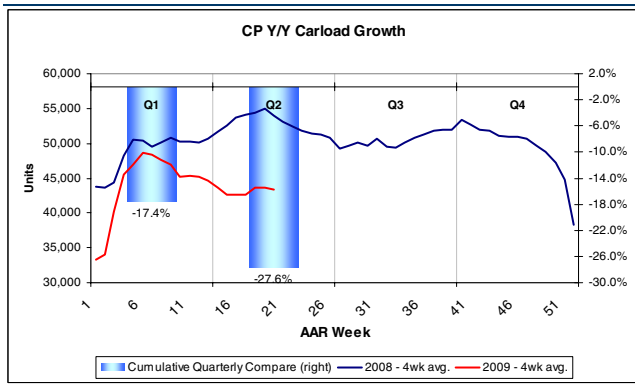
Source: Company data, Credit Suisse estimates

Exhibit 11: CNI Y/Y Change in Carloads ('09 vs. '08)



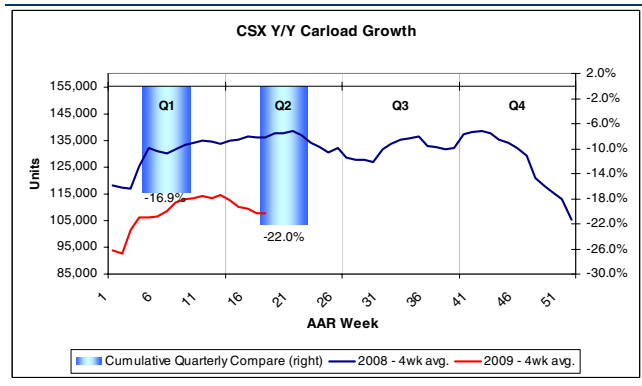
Source: Company data, Credit Suisse estimates

Exhibit 12: CP Y/Y Change in Carloads ('09 vs. '08)



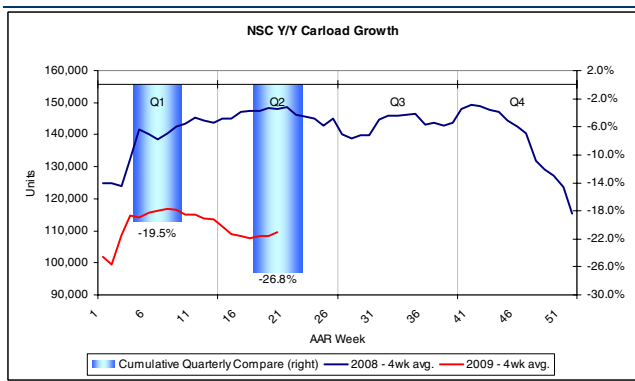
Source: Company data, Credit Suisse estimates

Exhibit 13: CSX Y/Y Change in Carloads ('09 vs. '08)



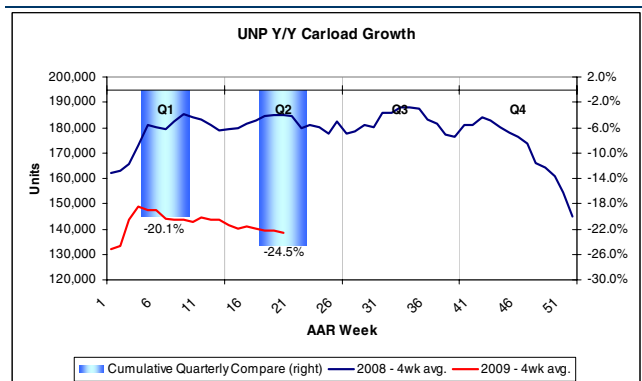
Source: Company data, Credit Suisse estimates

Exhibit 14: NSC Y/Y Change in Carloads ('09 vs. '08)



Source: Company data, Credit Suisse estimates

Exhibit 15: UNP Y/Y Change in Carloads ('09 vs. '08)



Source: Company data, Credit Suisse estimates

Exhibit 16: Credit Suisse 2Q09 Volume Scores

CS Rail Volume Scores

Y/Y Vol. Growth				
<i>BNI</i>	<i>Week 19</i>	<i>QTD</i>	<i>Weighting [1]</i>	<i>CS Score (QTD)</i>
Coal	10.0%	-2.7%	0.4x	(1.1)
Agricultural Commodities	-22.1%	-20.8%	0.7x	(14.0)
Intermodal	-22.4%	-21.5%	0.4x	(7.6)
Industrial Products	-33.6%	-33.4%	0.6x	(18.8)
Automotive	-41.5%	-47.7%	0.1x	(4.9)
Total	-17.6%	-19.4%		(46.5)

Y/Y Vol. Growth				
<i>CNI</i>	<i>Week 19</i>	<i>QTD</i>	<i>Weighting [1]</i>	<i>CS Score (QTD)</i>
Coal	0.9%	-4.3%	0.1x	(0.4)
Agricultural Commodities	-13.9%	-11.6%	0.5x	(6.0)
Intermodal	-13.9%	-13.0%	0.2x	(3.0)
Industrial Products	-45.3%	-34.7%	1.2x	(33.2)
Automotive	-28.5%	-24.6%	0.2x	(3.8)
Total	-29.9%	-23.5%		(46.3)

Y/Y Vol. Growth				
<i>CP</i>	<i>Week 19</i>	<i>QTD</i>	<i>Weighting [1]</i>	<i>CS Score (QTD)</i>
Coal	-22.3%	-40.9%	0.2x	(9.2)
Agricultural Commodities	4.4%	2.0%	0.7x	1.3
Intermodal	-25.7%	-24.1%	0.3x	(7.9)
Industrial Products	-34.4%	-39.8%	0.8x	(32.9)
Automotive	-39.4%	-43.0%	0.2x	(7.5)
Total	-23.6%	-27.0%		(56.1)

Y/Y Vol. Growth				
<i>CSX</i>	<i>Week 19</i>	<i>QTD</i>	<i>Weighting [1]</i>	<i>CS Score (QTD)</i>
Coal	-21.2%	-22.1%	0.6x	(13.0)
Agricultural Commodities	1.4%	-7.0%	0.4x	(2.5)
Intermodal	-12.5%	-15.0%	0.1x	(1.3)
Industrial Products	-26.4%	-27.5%	0.7x	(18.2)
Automotive	-42.8%	-39.9%	0.2x	(6.7)
Total	-20.1%	-21.8%		(41.7)

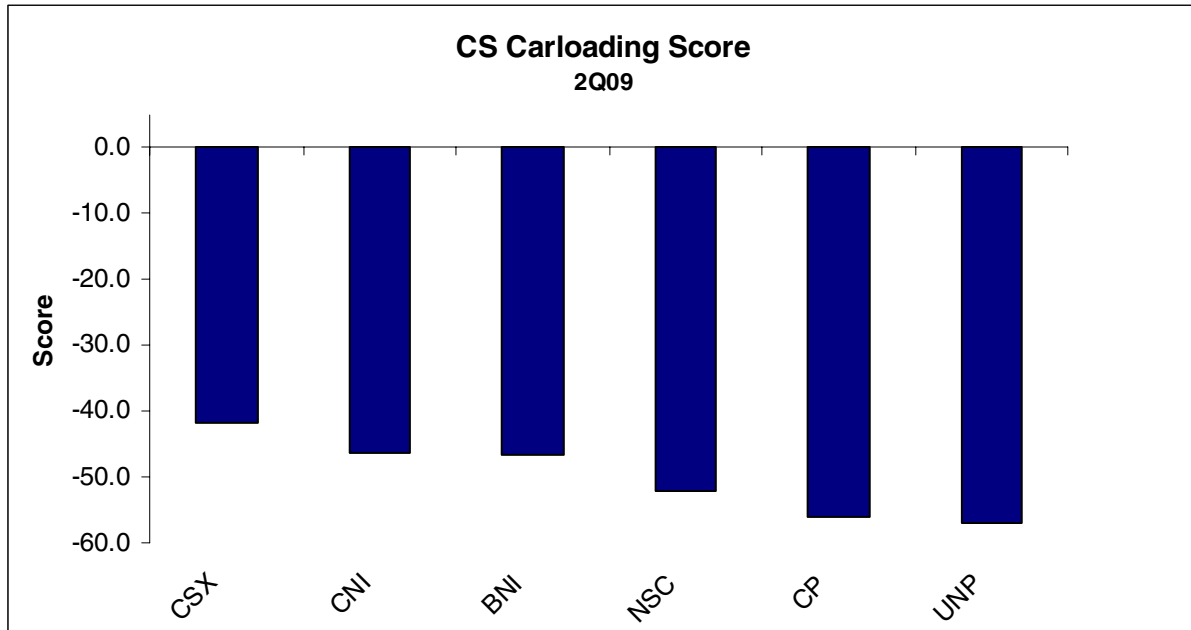
Y/Y Vol. Growth				
<i>NSC</i>	<i>Week 19</i>	<i>QTD</i>	<i>Weighting [1]</i>	<i>CS Score (QTD)</i>
Coal	-25.7%	-27.5%	0.6x	(15.9)
Agricultural Commodities	-12.2%	-14.7%	0.3x	(4.1)
Intermodal	-18.0%	-20.7%	0.1x	(2.6)
Industrial Products	-29.7%	-34.1%	0.6x	(22.6)
Automotive	-49.4%	-46.5%	0.1x	(6.9)
Total	-24.2%	-26.8%		(52.2)

Y/Y Vol. Growth				
<i>UNP</i>	<i>Week 19</i>	<i>QTD</i>	<i>Weighting [1]</i>	<i>CS Score (QTD)</i>
Coal	-17.5%	-20.3%	0.4x	(8.1)
Agricultural Commodities	-17.5%	-20.7%	0.7x	(14.0)
Intermodal	-22.1%	-21.0%	0.2x	(3.5)
Industrial Products	-30.4%	-31.2%	0.5x	(24.6)
Automotive	-53.5%	-45.2%	0.2x	(6.9)
Total	-24.2%	-24.5%		(57.1)

[1] Score weighting is based on average revenue per carload as a percent of total freight revenues.

Source: Company data, Credit Suisse estimates

Exhibit 17: Credit Suisse 2Q09 Carload Score



Source: Company data, Credit Suisse estimates

Exhibit 18: Credit Suisse Historical Rail Volume Scores

Rail Historical Volume Scores										
	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
BNI	(46.5)	(37.2)	(23.9)	(3.9)	1.6	10.6	6.1	2.2	0.9	1.4
CNI	(46.3)	(37.1)	(25.6)	(13.1)	(8.4)	(5.4)	0.1	(6.0)	(6.6)	(11.9)
CP	(56.1)	(38.0)	(22.1)	(8.9)	(5.5)	4.9	1.3	6.1	16.5	(4.6)
CSX	(41.7)	(31.8)	(19.7)	(3.9)	(3.2)	(4.5)	(4.0)	(6.3)	(4.3)	(7.0)
NSC	(52.2)	(37.0)	(15.8)	(4.6)	(4.7)	(3.3)	(2.6)	(3.8)	(4.6)	(7.7)
UNP	(57.1)	(43.0)	(25.8)	(7.6)	2.8	4.3	1.3	0.3	(8.3)	(8.8)

Source: Company data, Credit Suisse estimates

Current Rail Service Metrics

Service Measures by Railroad

The service scores remain unchanged from the prior week.

CNI maintained first place in the service score ranking with a score of +14.6. The Canadian Class I has seen an 18.6% rise in train speed, a 5.1% improvement in terminal dwell and a 20.2% drop in cars on line.

At BNI, QTD velocity is up 13.1%, terminal dwell hours are better by 12.4% and cars on line are down 4.2%. Thus far in 2Q, BNI is in second place in the service ranking with a score of +9.9.

Quarter-to-date UNP is averaging growth in train speed of 15.8%, terminal dwell improvement of 2.1% and a decrease in cars on line 9.9%. UNP's score of +9.3 (slightly better than the prior week) put the rail in third place in the ranking thus far in 2Q09.

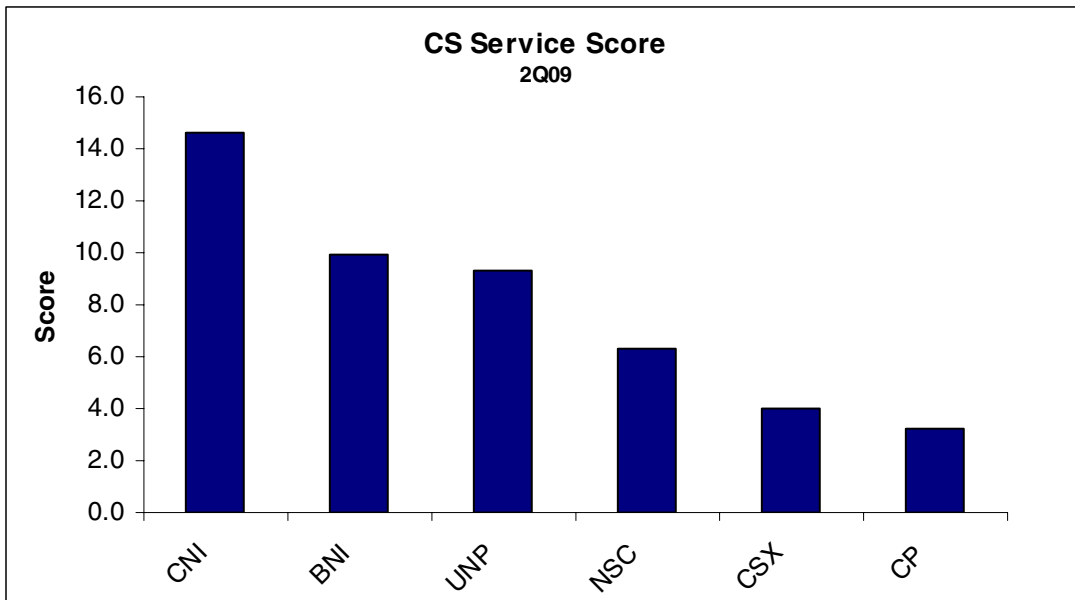
NSC posted a 16.7% rise in velocity, a 1.1% worsening in terminal dwell and a 3.3% decrease in cars on line. NSC's service score was +6.3, slightly below the prior week's +6.5. The Eastern railroad came in 4th place in the service score ranking for the week.

CSX came in fifth place with a score of +4.0 in Week 19 (versus +4.7 in Week 19). The Eastern rail is averaging an 9.0% rise in train speed, a 1.1% worsening in terminal dwell and a 4.1% decrease in cars on line.

CP saw a score of +3.2 during Week 19 (compared with +3.3 in Week 19)—earning the Canadian rail 6th place in the ranking. QTD train speed has risen 10.5%, terminal dwell has improved 1.9% and cars-on-line are up 2.8%.

Our rank ordered composite score covering the three service measures is shown in Exhibit 20. A history of the composite service scores for each railroad is shown in Exhibit 40.

Exhibit 19: Credit Suisse 2Q09 Service Score



Source: Company data, Credit Suisse estimates

Exhibit 20: Railroad Service Metrics Data

Train Speed

	Week 20	Y/Y Chg.	QTD Ave. Y/Y Chg.
BNI	27.7	17.9%	13.1%
CNI	29.7	19.8%	18.6%
CP	26.8	9.8%	10.5%
CSX	22.3	-3.0%	9.0%
NSC	23.8	12.3%	16.7%
UNP	27.7	15.9%	15.8%

Increase = Improvement

Terminal Dwell

	Week 20	Y/Y Chg.	QTD Ave. Y/Y Chg.
BNI	21.8	-12.8%	-12.4%
CNI	11.1	-1.8%	-5.1%
CP	19.8	1.0%	-1.9%
CSX	23.1	0.4%	1.1%
NSC	21.2	0.0%	1.1%
UNP	23.7	-0.8%	-2.1%

Decrease = Improvement

Cars On Line

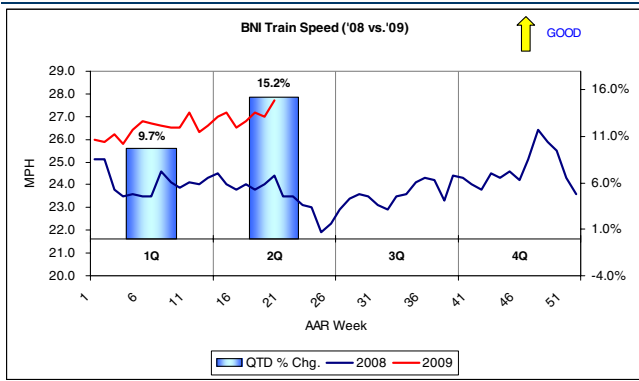
	Week 20	Y/Y Chg.	QTD Ave. Y/Y Chg.
BNI	219,808	-4.9%	-4.2%
CNI	88,644	-20.3%	-20.2%
CP	84,062	-0.1%	2.8%
CSX	216,502	-3.4%	-4.1%
NSC	195,323	-2.6%	-3.3%
UNP	280,623	-6.8%	-9.9%

Decrease = Improvement

Source: Company data, Credit Suisse estimates

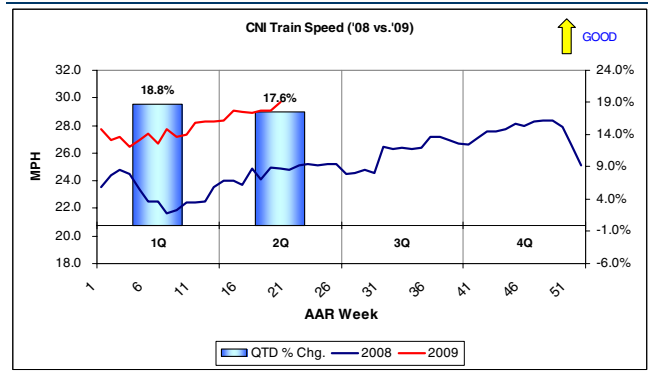
Train Speed

Exhibit 21: BNI Y/Y Change in Train Speed ('09 vs. '08)



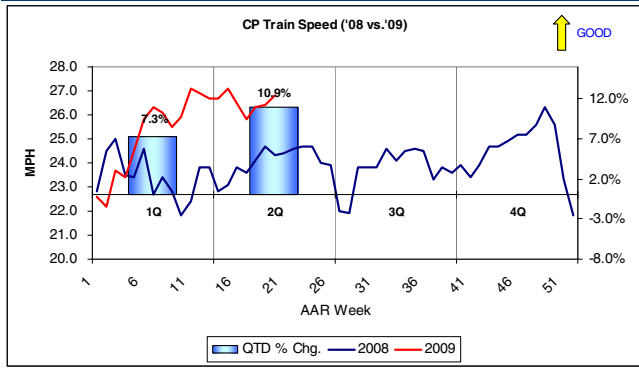
Source: Company data, Credit Suisse estimates

Exhibit 22: CNI Y/Y Change in Train Speed ('09 vs. '08)



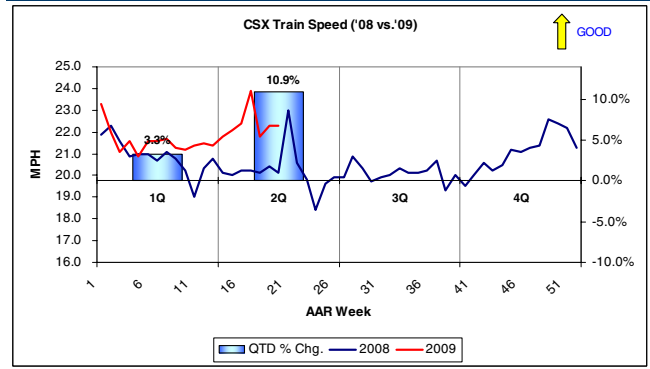
Source: Company data, Credit Suisse estimates

Exhibit 23: CP Y/Y Change in Train Speed ('09 vs. '08)



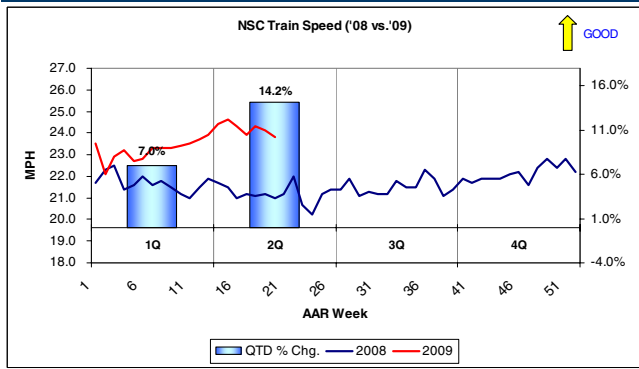
Source: Company data, Credit Suisse estimates

Exhibit 24: CSX Y/Y Change in Train Speed ('09 vs. '08)



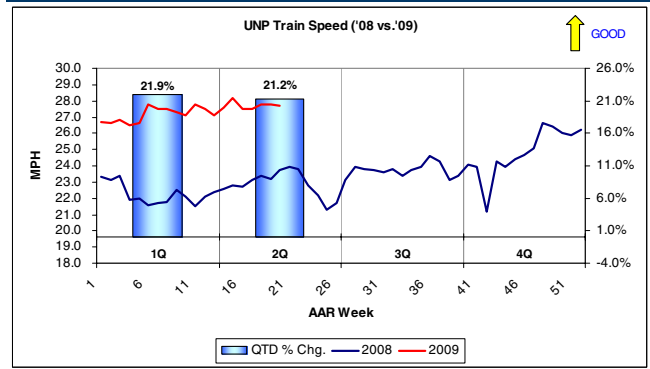
Source: Company data, Credit Suisse estimates

Exhibit 25: NSC Y/Y Change in Train Speed ('09 vs. '08)



Source: Company data, Credit Suisse estimates

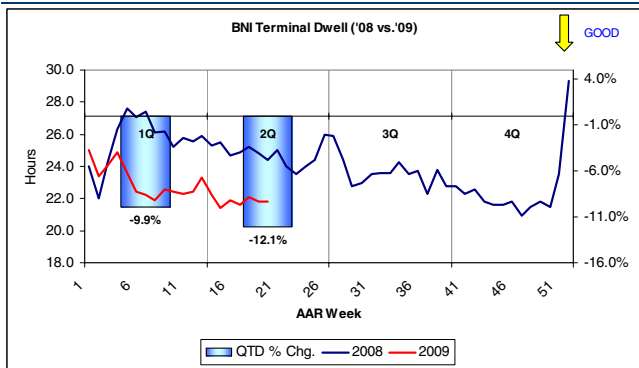
Exhibit 26: UNP Y/Y Change in Train Speed ('09 vs. '08)



Source: Company data, Credit Suisse estimates

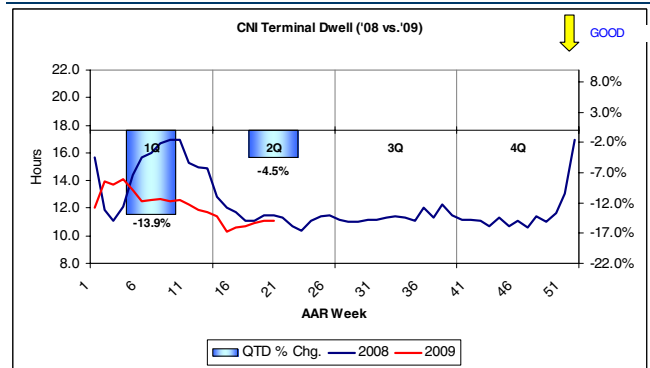
Terminal Dwell

Exhibit 27: BNI Y/Y Chg. in Terminal Dwell ('09 vs. '08)



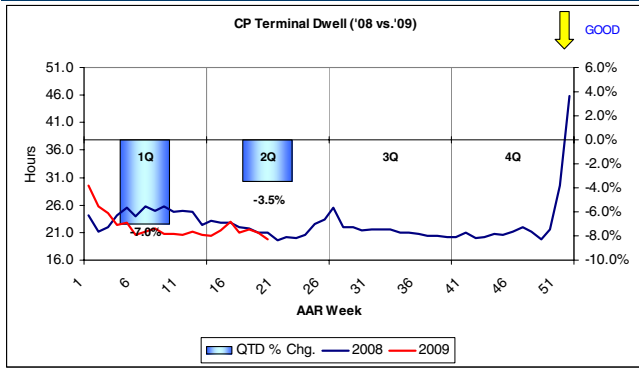
Source: Company data, Credit Suisse estimates

Exhibit 28: CNI Y/Y Chg. in Terminal Dwell ('09 vs. '08)



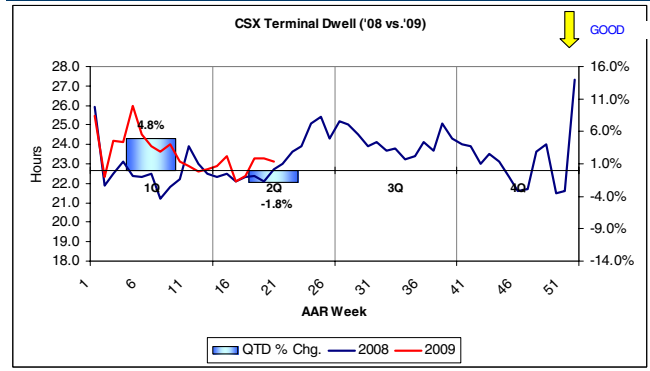
Source: Company data, Credit Suisse estimates

Exhibit 29: CP Y/Y Chg. in Terminal Dwell ('09 vs. '08)



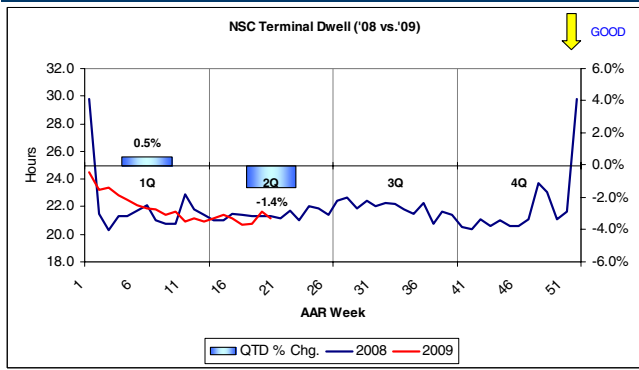
Source: Company data, Credit Suisse estimates

Exhibit 30: CSX Y/Y Chg. in Terminal Dwell ('09 vs. '08)



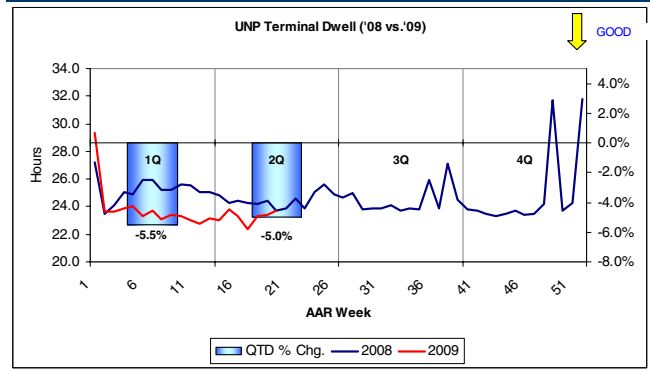
Source: Company data, Credit Suisse estimates

Exhibit 31: NSC Y/Y Chg. in Terminal Dwell ('09 vs. '08)



Source: Company data, Credit Suisse estimates

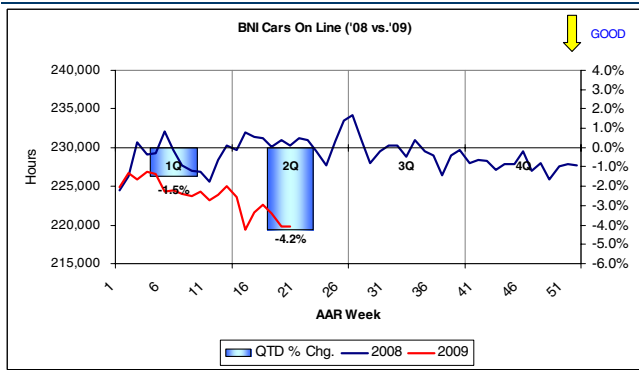
Exhibit 32: UNP Y/Y Chg. in Terminal Dwell ('09 vs. '08)



Source: Company data, Credit Suisse estimates

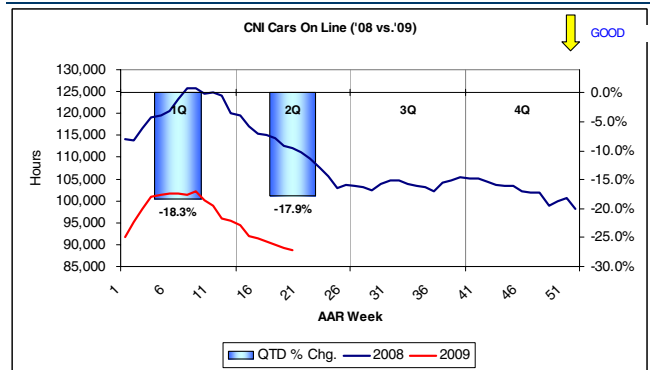
Cars On Line

Exhibit 33: BNI Y/Y Change in Cars on Line ('09 vs. '08)



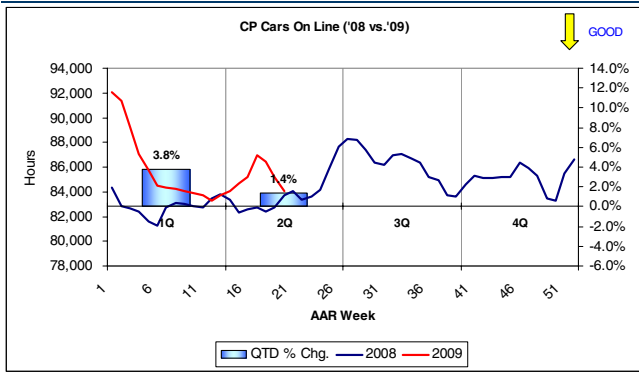
Source: Company data, Credit Suisse estimates

Exhibit 34: CNI Y/Y Change in Cars on Line ('09 vs. '08)



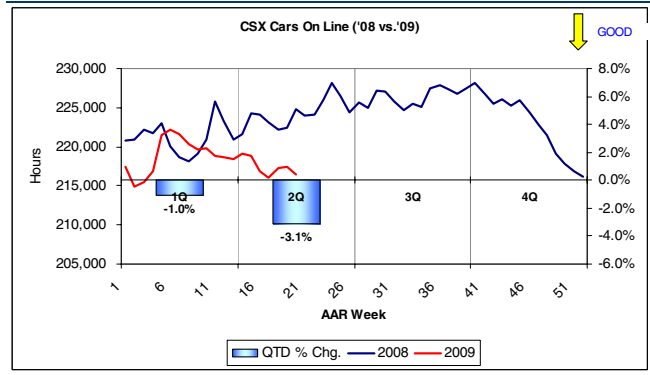
Source: Company data, Credit Suisse estimates

Exhibit 35: CP Y/Y Change in Cars on Line ('09 vs. '08)



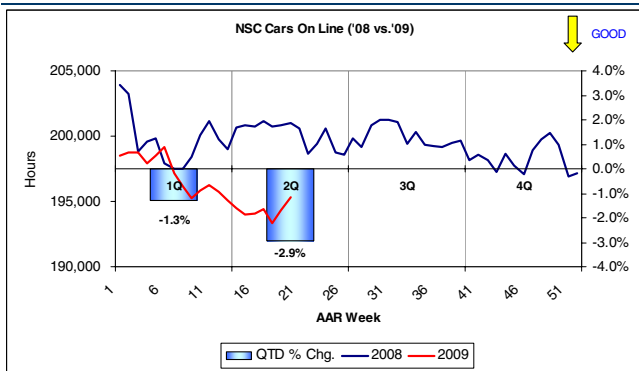
Source: Company data, Credit Suisse estimates

Exhibit 36: CSX Y/Y Change in Cars on Line ('09 vs. '08)



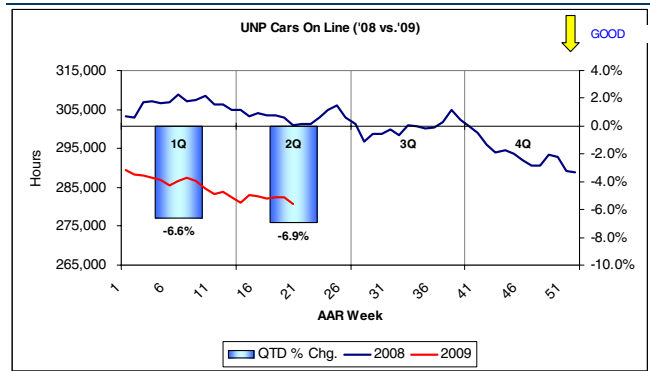
Source: Company data, Credit Suisse estimates

Exhibit 37: NSC Y/Y Change in Cars on Line ('09 vs. '08)



Source: Company data, Credit Suisse estimates

Exhibit 38: UNP Y/Y Change in Cars on Line ('09 vs. '08)



Source: Company data, Credit Suisse estimates

Exhibit 39: Credit Suisse Historical Service Scores

Train Speed Score										
	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
BNI	4.4	3.3	1.2	1.1	0.4	1.0	0.7	(0.1)	1.0	1.1
CNI	6.2	6.3	4.1	1.3	0.2	(0.8)	(2.0)	(1.3)	(2.3)	(2.2)
CP	3.5	2.5	2.9	(0.1)	0.8	0.3	(2.1)	(1.7)	(2.0)	(2.8)
CSX	3.0	1.4	(0.0)	(1.9)	1.9	0.8	0.5	0.4	0.6	0.6
NSC	5.6	2.3	0.5	(0.7)	(0.3)	1.2	1.9	2.3	1.4	0.3
UNP	5.3	7.4	3.9	3.4	(0.1)	0.9	(0.2)	-	0.1	(0.2)

Terminal Dwell Score										
	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
BNI	4.1	5.7	(2.0)	1.4	(1.5)	(1.9)	(1.7)	(1.5)	0.3	0.8
CNI	1.7	3.6	0.7	0.1	2.6	(1.9)	0.6	2.1	(2.5)	(4.8)
CP	0.6	1.9	(1.3)	(2.4)	0.2	(0.2)	(2.7)	(0.3)	(2.4)	(4.4)
CSX	(0.4)	(2.1)	(1.9)	(2.1)	0.3	0.1	0.6	1.3	3.5	4.3
NSC	(0.4)	(1.3)	(0.9)	(1.0)	0.5	2.4	2.7	3.0	2.0	2.1
UNP	0.7	1.5	(0.4)	0.9	1.0	0.7	0.8	0.4	0.3	1.9

Cars On Line Score										
	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
BNI	1.4	0.5	0.3	0.6	(0.5)	(0.5)	(0.7)	(1.4)	(0.5)	(0.7)
CNI	6.7	6.2	4.2	3.1	2.0	0.3	(0.3)	0.1	(1.4)	(1.7)
CP	(0.9)	(1.3)	(0.6)	(2.0)	(0.9)	(0.7)	(1.3)	(0.6)	0.3	(0.1)
CSX	1.4	0.4	(0.5)	(0.9)	0.8	0.4	0.7	0.9	1.5	1.8
NSC	1.1	0.4	0.3	0.2	(0.2)	0.6	1.0	0.7	0.0	(0.1)
UNP	3.3	2.2	1.6	1.2	0.9	1.0	0.4	0.3	(0.2)	0.0

Composite Score										
	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
BNI	9.9	9.5	3.5	3.0	(1.6)	(1.3)	(1.7)	(3.0)	0.7	1.2
CNI	14.6	16.0	9.0	4.5	4.8	(2.4)	(1.6)	0.9	(6.2)	(8.7)
CP	3.2	3.2	1.0	(4.6)	0.0	(0.6)	(6.1)	(2.7)	(4.1)	(7.3)
CSX	4.0	(0.4)	(2.4)	(4.9)	3.0	1.3	1.8	2.6	5.6	6.7
NSC	6.3	1.5	(0.1)	(1.6)	(0.0)	4.2	5.6	6.0	3.5	2.3
UNP	9.3	11.2	5.0	5.5	1.8	2.6	1.0	0.7	0.1	1.7

Source: Company data, Credit Suisse estimates

Composite Volume & Service Score

The composite score rankings remain unchanged for the third straight week.

CNI took first place with a QTD composite score of -21.9 (compared with the prior week's score of -21.3).

BNI came in second with a score of -23.9 (versus the previous week's score of -24.5).

CP stayed in the third spot with a QTD average score of -32.4 (better than the prior week's score of -33.2).

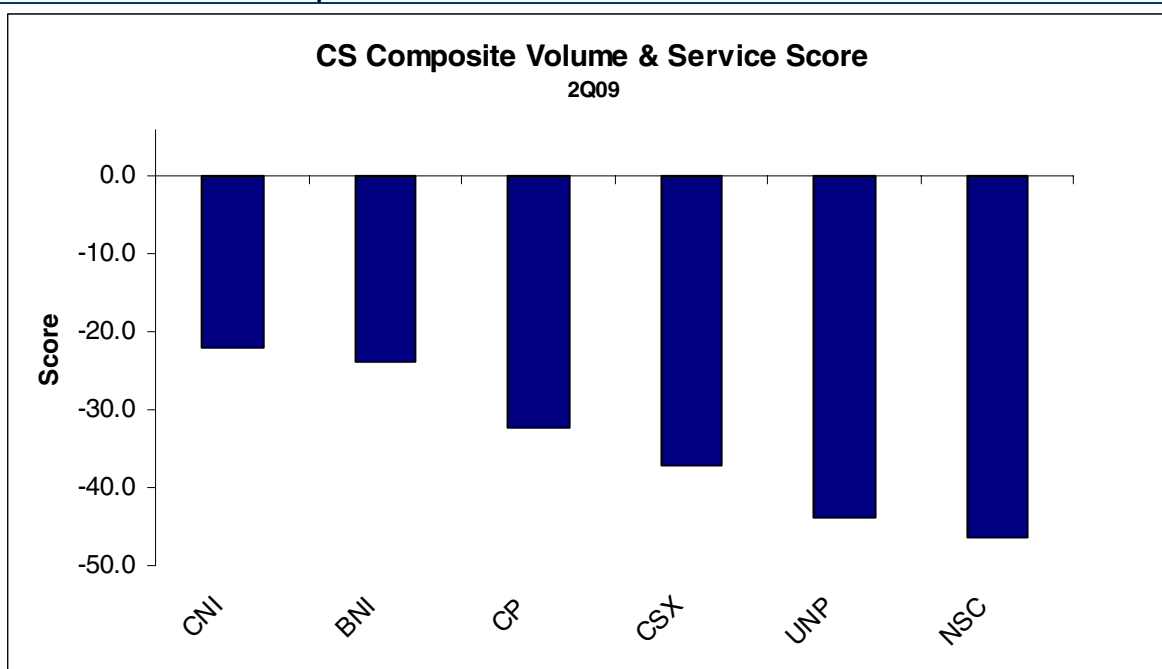
CSX came in fourth place with a score of -37.1, which is relatively flat from the -37.5 score it posted in the previous week.

UNP maintained the fifth spot with a composite score of -43.8 - slightly better than the -44.2 score it earned in Week 13.

NSC stayed in last place with a composite score of -46.4, which is a modest worsening from the -44.7 last week.

Please refer to Exhibit 42 for a history of the composite volume and service score for each railroad.

Exhibit 40: Credit Suisse 1Q09 Composite Volume & Service Score



Source: Company data, Credit Suisse estimates

Exhibit 41: Credit Suisse Historical Composite Volume & Service Score

Composite Volume & Service Score										
	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
BNI	(23.9)	(18.5)	(12.7)	(1.1)	0.3	5.8	2.9	0.1	0.8	1.3
CNI	(21.9)	(15.9)	(12.0)	(6.1)	(3.1)	(4.2)	(0.6)	(3.2)	(6.4)	(10.7)
CP	(32.4)	(21.6)	(12.0)	(7.2)	(3.3)	2.7	(1.7)	2.6	8.3	(5.7)
CSX	(37.1)	(27.4)	(17.9)	(4.0)	(2.6)	(3.9)	(3.4)	(5.4)	(3.3)	(5.6)
NSC	(46.4)	(33.2)	(14.2)	(4.3)	(4.2)	(2.5)	(1.8)	(2.8)	(3.8)	(6.7)
UNP	(43.8)	(32.2)	(19.4)	(5.0)	2.6	3.9	1.3	0.4	(6.6)	(6.7)

Source: Company data, Credit Suisse estimates

Appendix

About Our Volume & Service Scoring Method

In our initiation of the broader transportation sector (“*Transportation: Building A Framework for Transport Investing*”, 10.14.08) we introduced our proprietary “scoring” methodology that analyzes the weekly volume and service data that is published by the Class I Railroads and the Association of American Railroads (AAR). In our view, this tool provides a unique way to think about the current trends and what they could imply (on both a revenue and cost basis) for each railroad at a given point in the quarter.

As a quick recap, the score for the volume data is based on the quarter to date, year-over-year change in carloads by commodity type. Each commodity type is weighted based on its average revenue per carload as well as the percentage it represents of the respective railroads’ portfolio.

Turning to service trends, we developed a scoring system to analyze the quarter to date average year-over-year change for train speed, terminal dwell, and cars on line. While our volume scores are a measure for top-line results, our service scores are an indicator of operational efficiency.

A positive score corresponds to a year-over-year improvement in service (which ultimately translates to lower operating expenses) while a negative score indicates an overall worsening in network efficiency. It is important to note that in an environment of lower volumes (which we have observed in recent quarters) service metrics generally tend to improve as there is less congestion on the network.

Lastly, we combined the volume and service data by rail for an overall total score. In doing so, we get a better sense of the impact of both sets of data points on operating income. For example, improved year-over-year service performance should at least partially offset the effect of declining volumes—and vice versa. The weightings for each rail vary based on correlations of the underlying score components with historical EBIT growth. In general, volume scores tend to be weighted heavier than service scores.

Exhibit 42: Credit Suisse Historical Rail Volume Scores By Commodity

Rail Historical Volume Scores										
BNI	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
Coal	(1.9)	-	0.4	0.8	(1.1)	2.3	0.2	(0.0)	(0.1)	0.6
Agricultural Products	(13.9)	(12.6)	(8.8)	(0.4)	4.6	9.6	7.9	3.4	0.2	0.9
Intermodal	(7.6)	(4.9)	(3.0)	(1.7)	(1.7)	(3.0)	(3.4)	(2.9)	(1.8)	0.5
Industrial Products	(18.8)	(13.9)	(9.5)	(1.1)	0.1	1.7	1.3	2.0	3.0	-
Automotive	(5.0)	(4.6)	(3.1)	(1.5)	(0.2)	(0.1)	0.1	(0.2)	(0.4)	(0.6)
Total Score	(47.2)	(35.9)	(23.9)	(3.9)	1.6	10.6	6.1	2.2	0.9	1.4
Revenue Growth	?	-17%	3%	21%	17%	17%	9%	3%	4%	5%

CNI	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
Coal	(0.5)	(0.9)	1.3	1.2	(0.0)	(0.2)	(0.5)	(0.6)	(0.7)	(0.9)
Agricultural Products	(5.8)	(2.4)	(4.7)	(5.5)	0.1	3.1	1.4	0.5	-	-
Intermodal	(3.0)	(2.1)	(1.1)	1.8	1.2	1.5	0.9	(0.3)	(0.5)	(0.2)
Industrial Products	(32.4)	(23.9)	(16.2)	(7.2)	(6.4)	(8.0)	(2.4)	(6.7)	(6.6)	(10.0)
Automotive	(3.7)	(6.9)	(5.0)	(3.4)	(3.4)	(1.8)	0.8	1.0	1.2	(0.9)
Total Score	(45.3)	(36.2)	(25.6)	(13.1)	(8.4)	(5.4)	0.1	(6.0)	(6.6)	(11.9)
Revenue Growth	?	-4%	13%	12%	4%	1%	-3%	0%	1%	0%

CP	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
Coal	(9.8)	(0.8)	(1.4)	(0.3)	1.6	2.9	(1.3)	2.0	2.8	(6.9)
Agricultural Products	1.0	(0.2)	(0.4)	(5.9)	(1.8)	1.8	(0.7)	2.4	1.1	(1.7)
Intermodal	(7.8)	(5.2)	(4.0)	(0.2)	0.3	1.0	2.4	3.9	1.6	0.6
Industrial Products	(33.4)	(23.0)	(12.1)	(0.7)	(4.1)	1.1	0.3	(2.9)	11.4	3.3
Automotive	(7.6)	(7.5)	(4.2)	(1.9)	(1.5)	(1.8)	0.6	0.7	(0.3)	0.0
Total Score	(57.6)	(36.8)	(22.1)	(8.9)	(5.5)	4.9	1.3	6.1	16.5	(4.6)
Revenue Growth	?	-13%	9%	8%	0%	3%	0%	3%	7%	0%

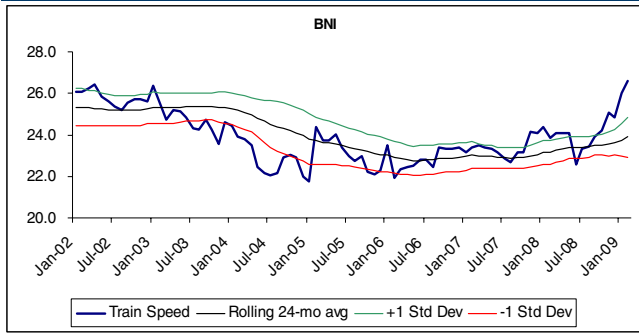
CSX	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
Coal	(13.1)	(3.1)	2.4	2.6	4.3	0.1	(0.2)	(0.7)	(0.3)	(1.1)
Agricultural Products	(3.0)	(1.7)	(2.3)	(0.8)	(0.3)	1.3	(0.3)	(1.5)	(0.1)	(1.0)
Intermodal	(1.3)	(1.1)	(0.6)	0.0	(0.3)	(0.0)	(0.3)	(0.5)	(0.1)	(0.1)
Industrial Products	(18.2)	(15.4)	(14.2)	(2.3)	(3.3)	(4.0)	(2.7)	(3.8)	(3.0)	(2.5)
Automotive	(6.6)	(9.1)	(5.0)	(3.5)	(3.6)	(1.9)	(0.5)	0.3	(0.7)	(2.3)
Total Score	(42.2)	(30.4)	(19.7)	(3.9)	(3.2)	(4.5)	(4.0)	(6.3)	(4.3)	(7.0)
Revenue Growth	?	-17%	4%	18%	15%	12%	9%	2%	5%	4%

NSC	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
Coal	(16.1)	(5.0)	3.5	2.3	1.2	0.7	(1.7)	(0.7)	(1.0)	(1.2)
Agricultural Products	(4.3)	(2.9)	(1.2)	(0.1)	0.8	0.9	0.6	0.5	0.3	(0.6)
Intermodal	(2.7)	(2.1)	(0.7)	(0.1)	(0.3)	(0.5)	(0.6)	(0.8)	(0.6)	(0.2)
Industrial Products	(20.5)	(17.0)	(13.1)	(1.9)	(2.8)	(2.6)	(1.2)	(3.3)	(1.8)	(3.3)
Automotive	(6.9)	(7.1)	(4.2)	(4.8)	(3.6)	(1.7)	0.3	0.6	(1.5)	(2.4)
Total Score	(50.4)	(34.1)	(15.8)	(4.6)	(4.7)	(3.3)	(2.6)	(3.8)	(4.6)	(7.7)
Revenue Growth	?	-22%	2%	23%	16%	11%	6%	-2%	-1%	-2%

UNP	2Q09	1Q09	4Q08	3Q08	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
Coal	(8.3)	(4.2)	(0.3)	0.8	0.7	1.7	0.5	0.8	(1.1)	0.0
Agricultural Products	(14.3)	(9.0)	(6.1)	0.3	6.6	5.6	0.4	1.2	(2.7)	(2.9)
Intermodal	(3.5)	(3.8)	(2.8)	(1.7)	(0.9)	-	(0.1)	0.1	(0.1)	0.1
Industrial Products	(24.8)	(17.2)	(12.2)	(2.5)	1.0	(2.0)	1.0	(2.5)	(4.1)	(5.3)
Automotive	(6.6)	(8.3)	(4.4)	(4.5)	(4.5)	(1.1)	(0.4)	0.8	(0.3)	(0.7)
Total Score	(57.6)	(42.4)	(25.8)	(7.6)	2.8	4.3	1.3	0.3	(8.3)	(8.8)
Revenue Growth	?	-20%	2%	16%	13%	11%	6%	5%	3%	4%

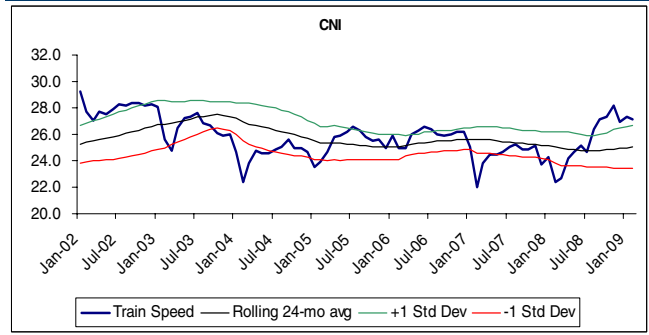
Source: Company data, Credit Suisse estimates

Exhibit 43: BNI Train Speed, Moving Ave, +/- 1 Std Dev.



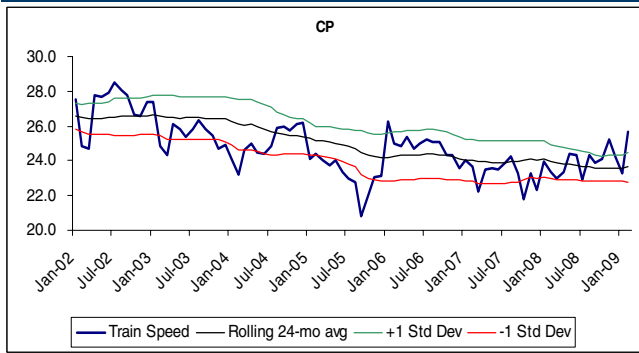
Source: Company data, Credit Suisse estimates

Exhibit 44: CNI Train Speed, Moving Ave, +/- 1 Std Dev.



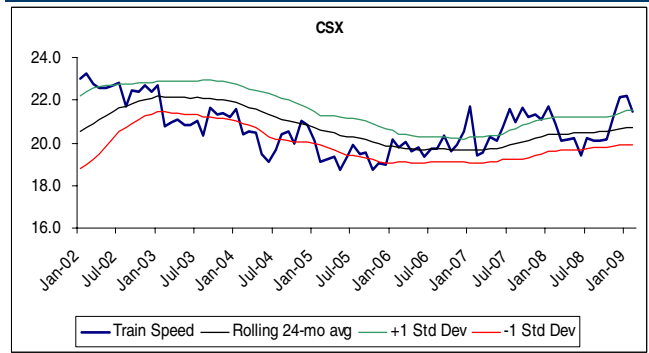
Source: Company data, Credit Suisse estimates

Exhibit 45: CP Train Speed, Moving Ave, +/- 1 Std Dev.



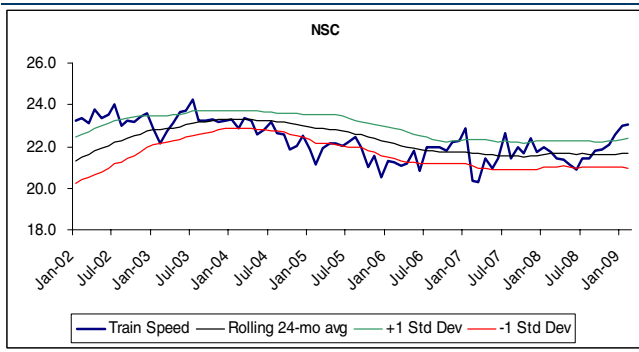
Source: Company data, Credit Suisse estimates

Exhibit 46: CSX Train Speed, Moving Ave, +/- 1 Std Dev.



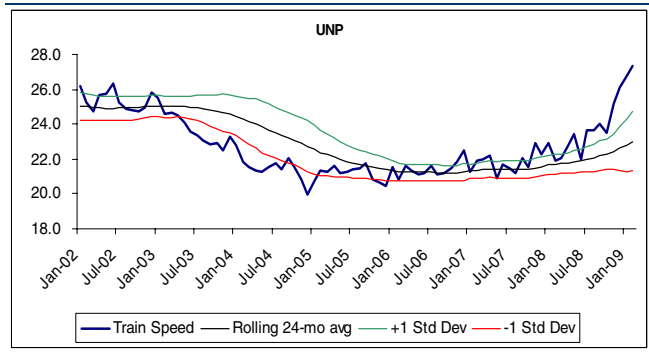
Source: Company data, Credit Suisse estimates

Exhibit 47: NSC Train Speed, Moving Ave, +/- 1 Std Dev.



Source: Company data, Credit Suisse estimates

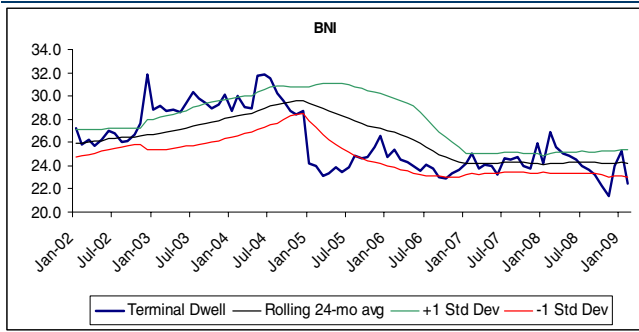
Exhibit 48: UNP Train Speed, Moving Ave, +/- 1 Std Dev.



Source: Company data, Credit Suisse estimates

Exhibit 49: BNI Terminal Dwell, Moving Ave, +/- 1 Std

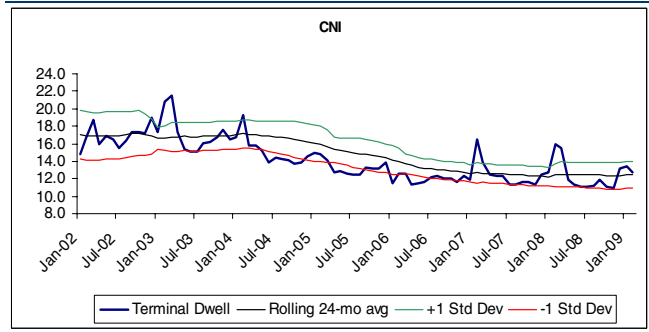
Dev.



Source: Company data, Credit Suisse estimates

Exhibit 50: CNI Terminal Dwell, Moving Ave, +/- 1 Std

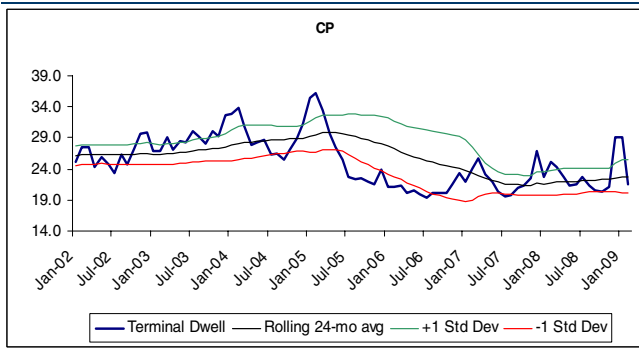
Dev.



Source: Company data, Credit Suisse estimates

Exhibit 51: CP Terminal Dwell, Moving Ave, +/- 1 Std

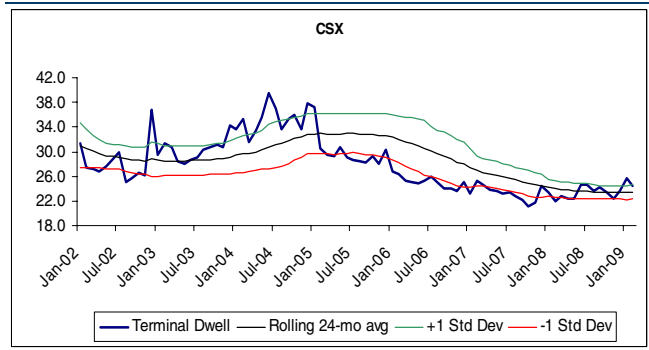
Dev.



Source: Company data, Credit Suisse estimates

Exhibit 52: CSX Terminal Dwell, Moving Ave, +/- 1 Std

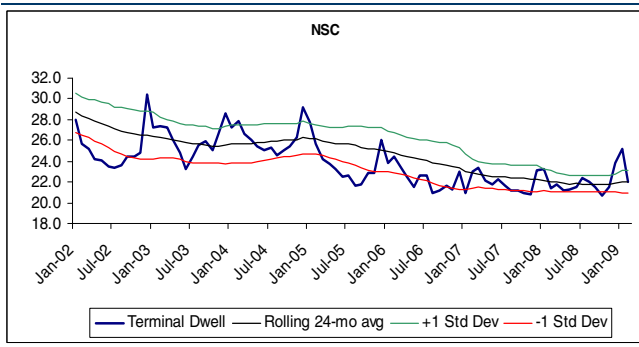
Dev.



Source: Company data, Credit Suisse estimates

Exhibit 53: NSC Terminal Dwell, Moving Ave, +/- 1 Std

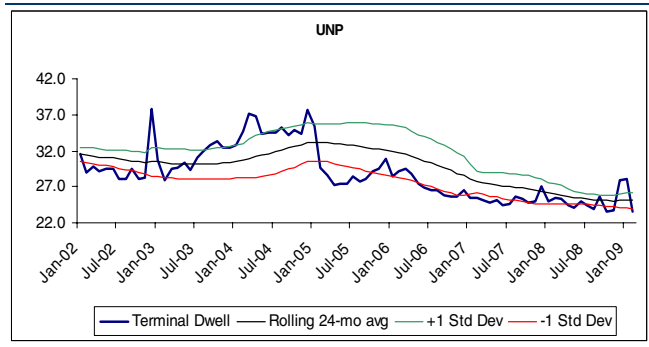
Dev.



Source: Company data, Credit Suisse estimates

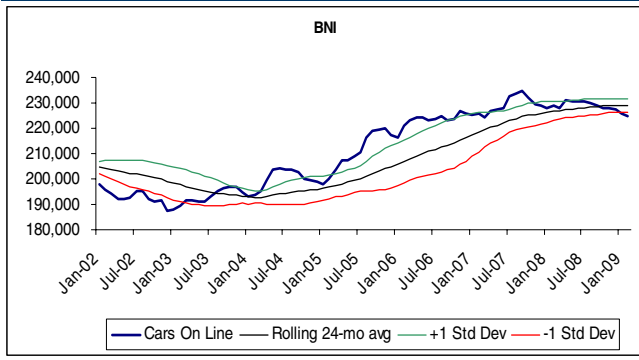
Exhibit 54: UNP Terminal Dwell, Moving Ave, +/- 1 Std

Dev.



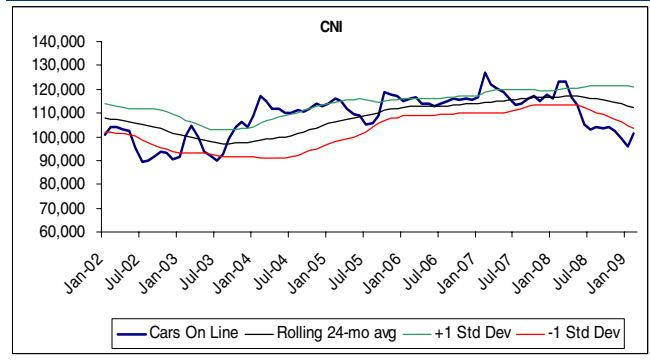
Source: Company data, Credit Suisse estimates

Exhibit 55: BNI Cars on Line, Moving Ave, +/- 1 Std Dev.



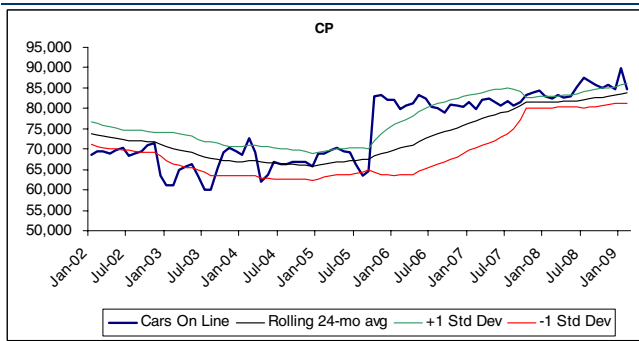
Source: Company data, Credit Suisse estimates

Exhibit 56: CNI Cars on Line, Moving Ave, +/- 1 Std Dev.



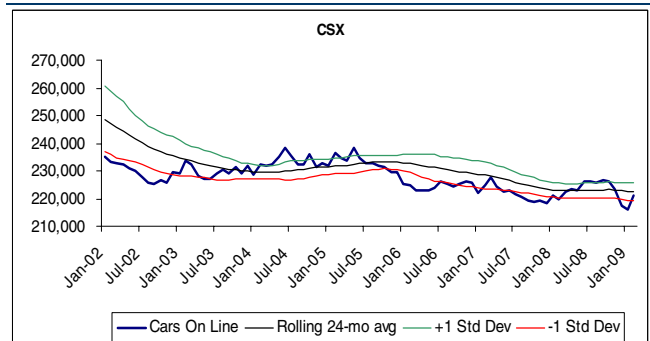
Source: Company data, Credit Suisse estimates

Exhibit 57: CP Cars on Line, Moving Ave, +/- 1 Std Dev.



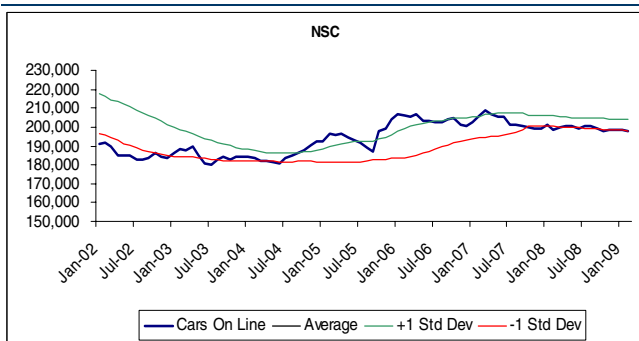
Source: Company data, Credit Suisse estimates

Exhibit 58: CSX Cars on Line, Moving Ave, +/- 1 Std Dev.



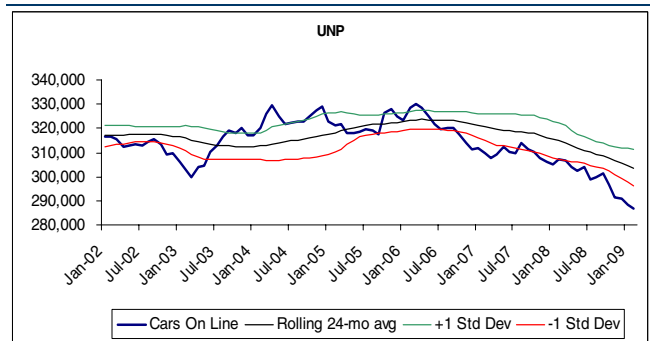
Source: Company data, Credit Suisse estimates

Exhibit 59: NSC Cars on Line, Moving Ave, +/- 1 Std Dev.



Source: Company data, Credit Suisse estimates

Exhibit 60: UNP Cars on Line, Moving Ave, +/- 1 Std Dev.



Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 28 May 09)
 Burlington Northern Santa Fe (BNI, \$69.16, NEUTRAL, TP \$67.00)
 Canadian National (CNI, \$42.16, NEUTRAL, TP \$45.00)
 Canadian Pacific Railways (CP, \$38.72, UNDERPERFORM, TP \$29.00)
 CSX Corporation (CSX, \$29.41, NEUTRAL [V], TP \$38.00)
 General Motors Corp. (GM, \$1.12, UNDERPERFORM [V], TP \$1.00)
 Norfolk Southern (NSC, \$35.38, OUTPERFORM, TP \$43.00)
 Union Pacific (UNP, \$45.56, OUTPERFORM, TP \$57.00)

Disclosure Appendix

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	Global Ratings Distribution	
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Neutral/Hold*	43%	(58% banking clients)
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Restricted	2%	

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