

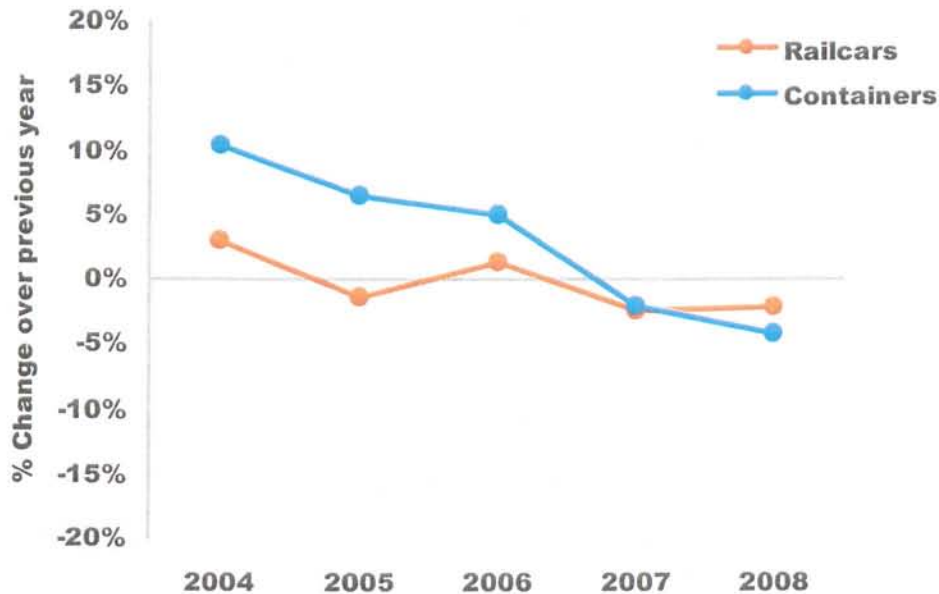
# Railroad Industry Trends

*28 January 2009*

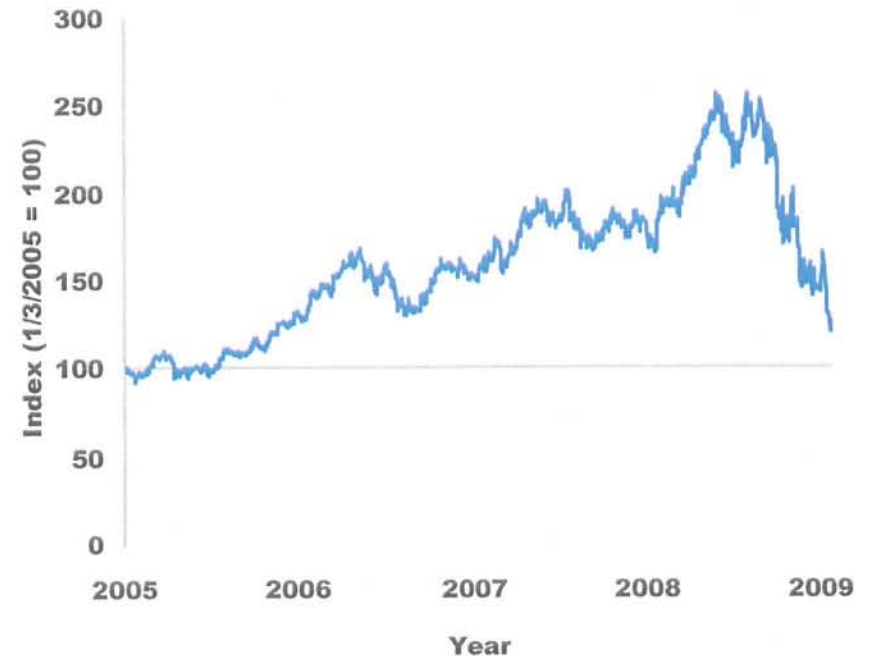
Norbridge

## Rail carloadings fell in 2008, while railroad stocks have been in freefall since the middle of last year.

Year-On-Year Change in Rail Loadings

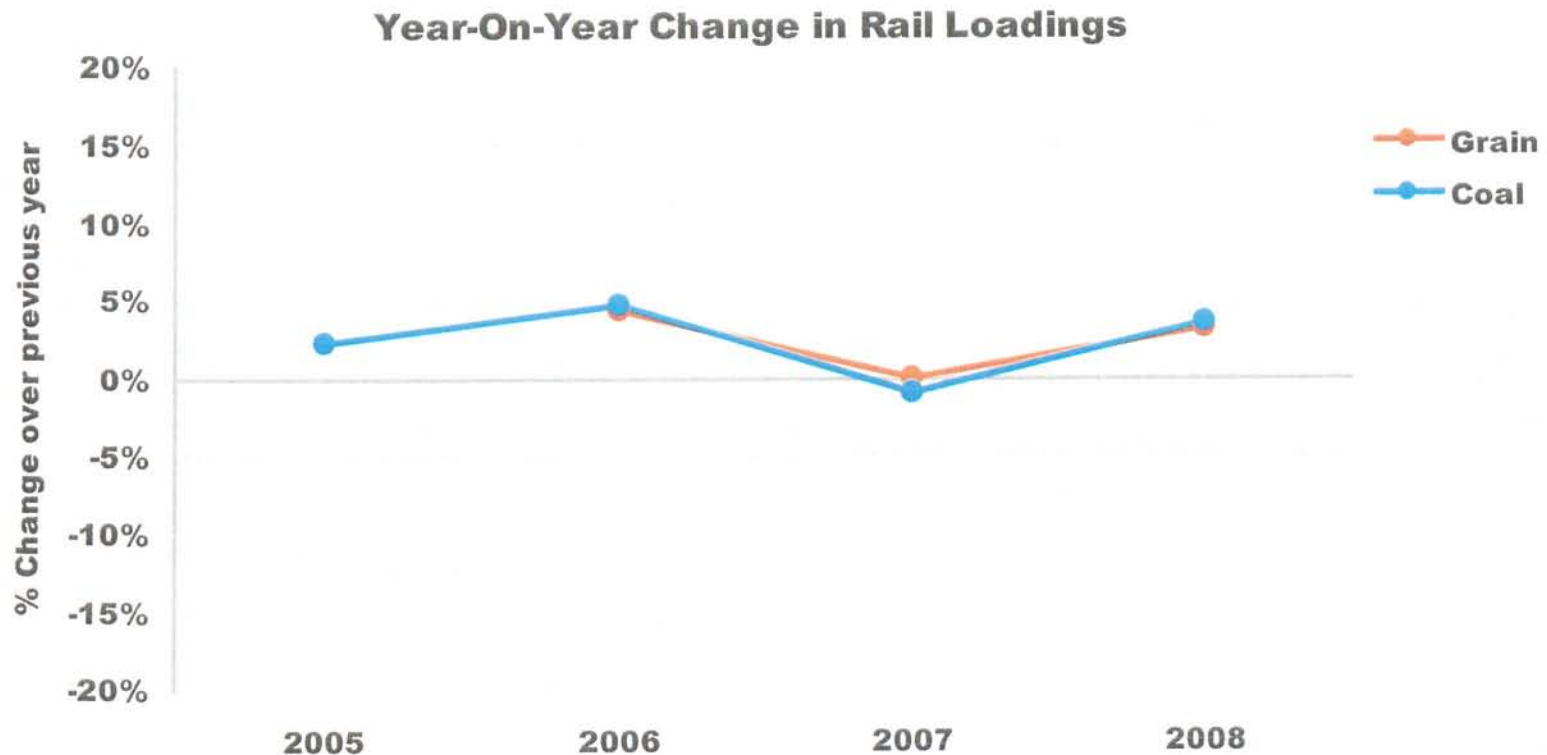


Index of Major Freight Railroad Stock Prices



- **The largest carload declines were in Motor Vehicles and Equipment (-21.2%), Crushed Stone, Sand and Gravel (-8.8%), and Coke (-32.3%).**
- **Grain and Coal carloadings increased 3.1% and 3.5% respectively in 2008.**

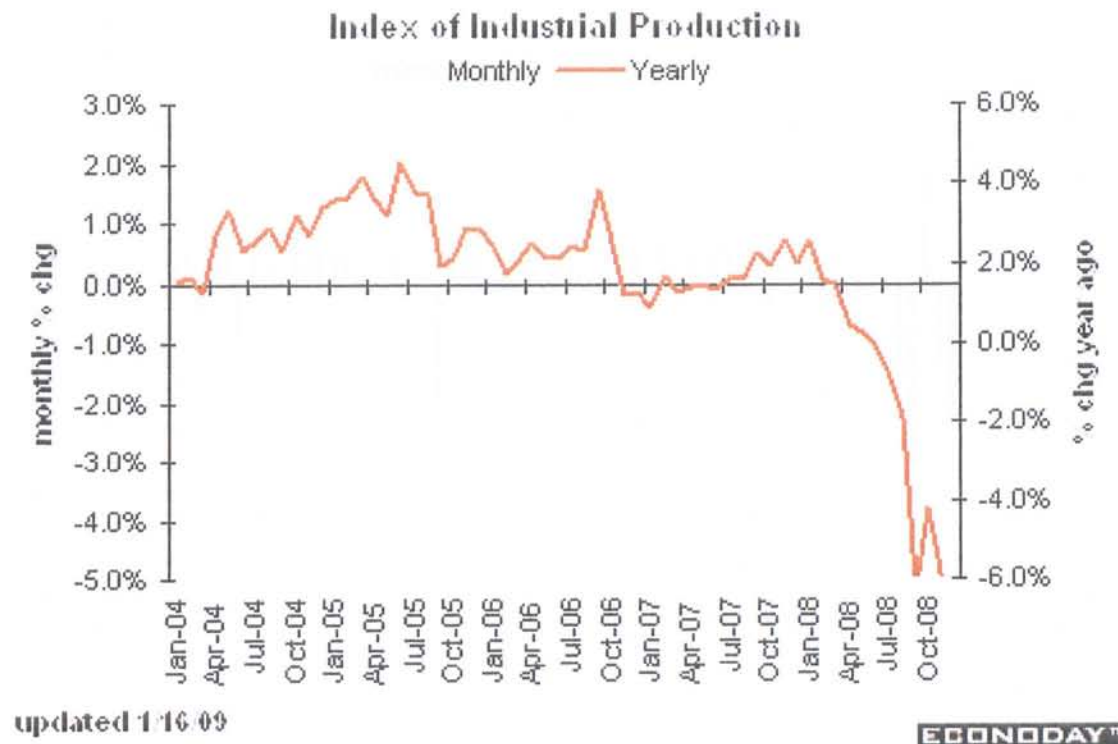
## Grain and coal carloadings rose slightly in 2008



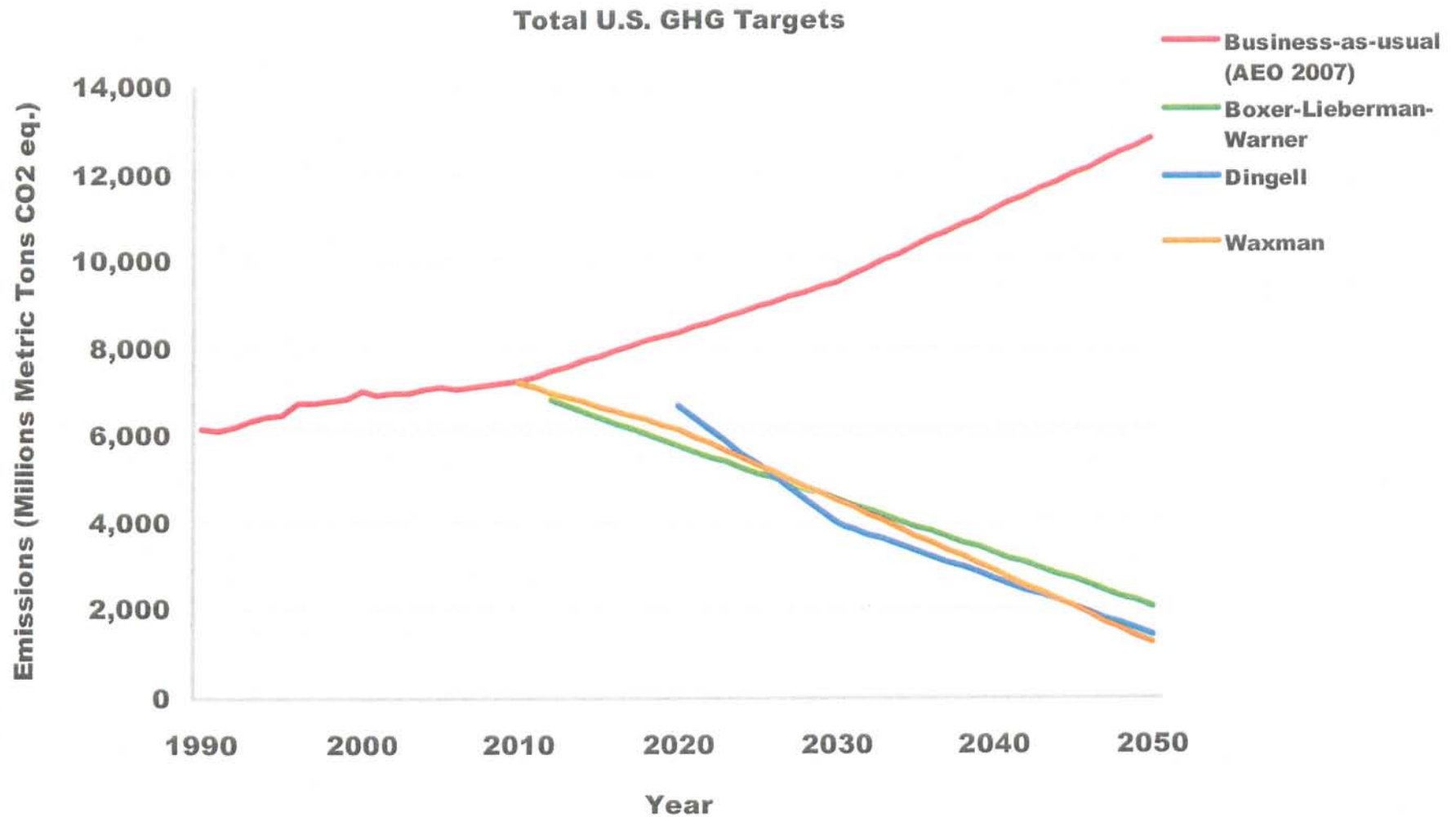
- **Carloadings for all commodities, save grain and coal, fell in 2008.**

## Industrial Production has fallen dramatically, and the outlook is dark in the near term.

- **Since early 2008, industrial production has been falling. Manufacturing and housing growth are strongly negative, signaling a continued downward trend in the future.**



## The future: Proposed climate legislation will change the market.

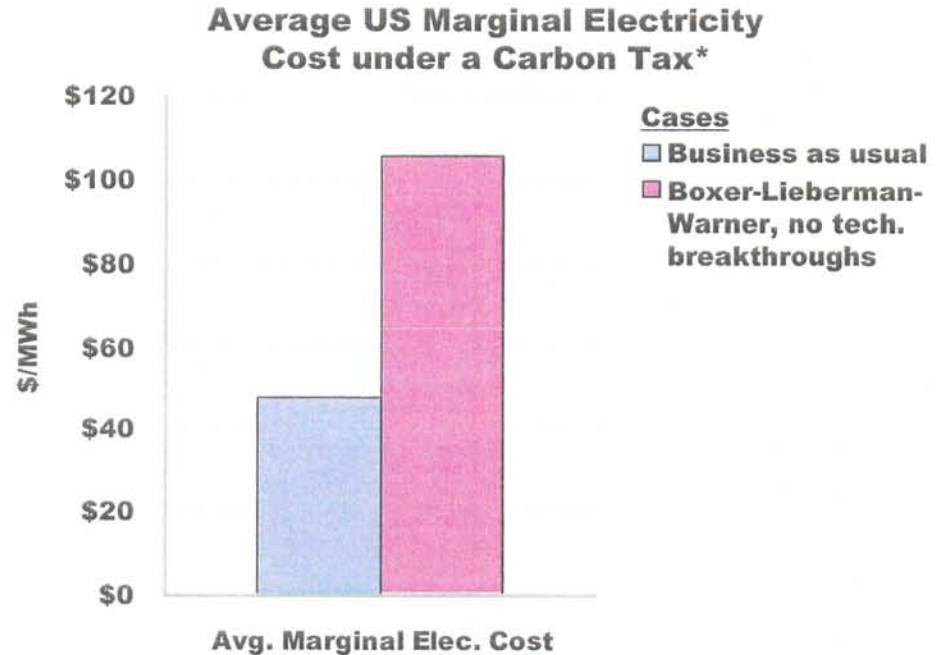
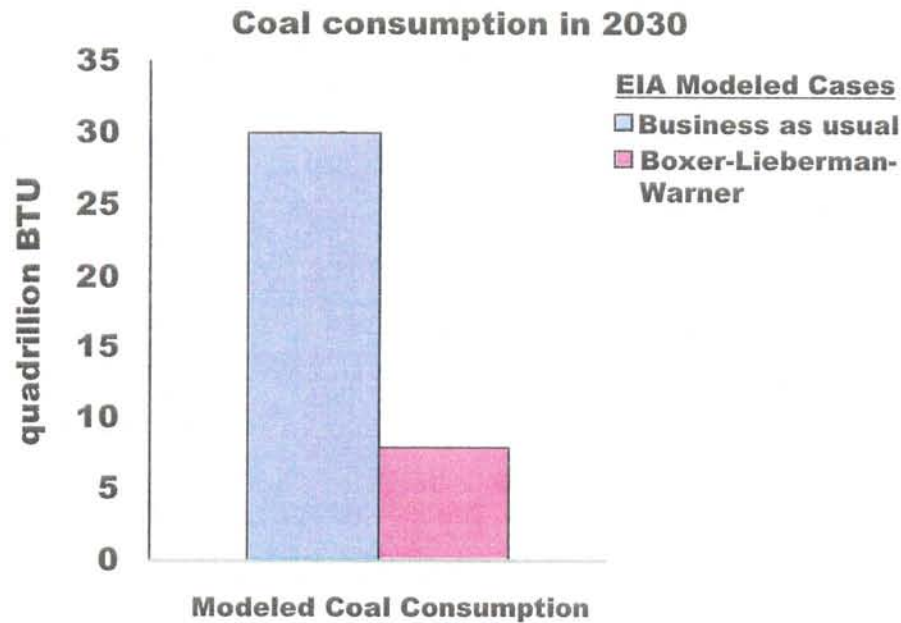


Source: EPA, EIA

Note: The Dingell targets are based on the proposal by the former chair of the House Committee on Energy, John Dingell (D-MI)

## Real carbon reductions will decimate the demand for coal, and cause costs for electricity production to skyrocket.

- **Coal consumption could fall 62-89% by 2030 under the Boxer-Lieberman-Warner act.**
- **In 2008, coal comprised 45% of total carloadings.**
- **2007 coal revenues were ~26% of non-intermodal freight revenue for all Class I railroads.**



Carbon Legislation	% MC Increase
Boxer-Lieberman-Warner	122%

Source: EVPower, EIA, Norbridge Analysis

\* Boxer-Lieberman-Warner case assumes no technological development and a constant generation portfolio.