

SURFACE TRANSPORTATION BOARD

Ex Parte 711 (Sub-No. 1)

Summary of Ex Parte Meeting between Union Pacific Railroad and

Surface Transportation Board Member Ann Begeman

November 10, 2021

Union Pacific Attendees:

- Eric Gehringer, Executive Vice President – Operations
- Kenny Rucker, Executive Vice President – Marketing & Sales
- Printz Bolin, Vice President – External Relations
- James Boles, Vice President – Law

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November 18, 2021
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STB Attendees:

- Ann Begeman, Member
- Amanda Gorski, Attorney Advisor
- Rebecca Morrow, Attorney Advisor

Summary:

Union Pacific thanked Member Begeman and her advisors for taking the time to meet regarding EP 711.

Union Pacific used Slide 2 to describe the current switching approach and associated timing as well as the transit time increases from additional car handlings between origin and destination. In response to a question from Member Begeman, Union Pacific noted the time frames on Slide 2 were calculated using actual Union Pacific switching data. Member Begeman asked how Union Pacific provides time frames in interline or multiple carrier movements. Union Pacific responded that the time frames are calculated from the point of first and last handling on Union Pacific and then provided to customers.

Union Pacific used Slides 3 and 4 to describe the recurring, negative phenomenon of inventory increases in response to increased transit times resulting in decreased fluidity. Member Begeman asked whether the STB's proposed case-by-case approach could mitigate that phenomenon. Union Pacific noted that while EP 711 switching would not immediately cause increased transit times, the effects of increased inventory and decreased fluidity will compound over time, absent a solution.

Union Pacific used Slide 5 to describe customers' service needs. Union Pacific clarified that this information was obtained through communication with customers, including hundreds of local service surveys, a customer advisory board, the J.D. Power & Associates process, and face-to-face meetings. During these opportunities, customers stated that they value consistent, reliable service and improved cycle times. Member Begeman asked what customers' reactions were to the slides. Union Pacific responded that the slides were not vetted with the customers, but the concerns about increased variability and cycle times contradict any desires for EP 711 switching.

Member Begeman asked whether EP 711 could have an impact on the Nation's supply chain. Union Pacific responded there could be increased demands for (and potential shortages of) industry cars and additional crew challenges – issues that could resemble current supply chain problems.



RECIPROCAL SWITCHING

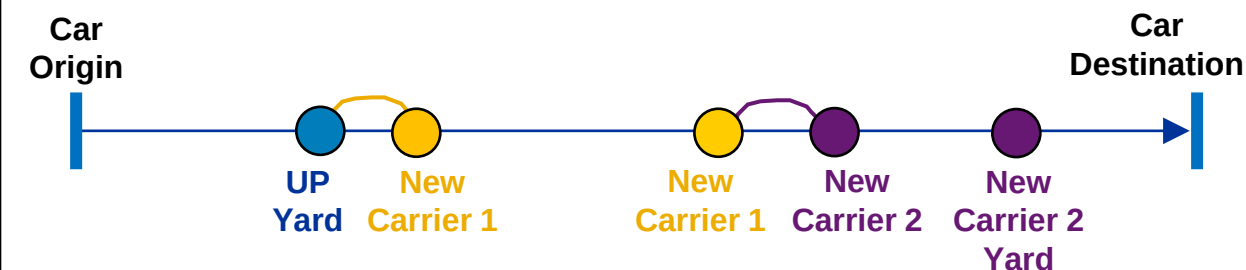
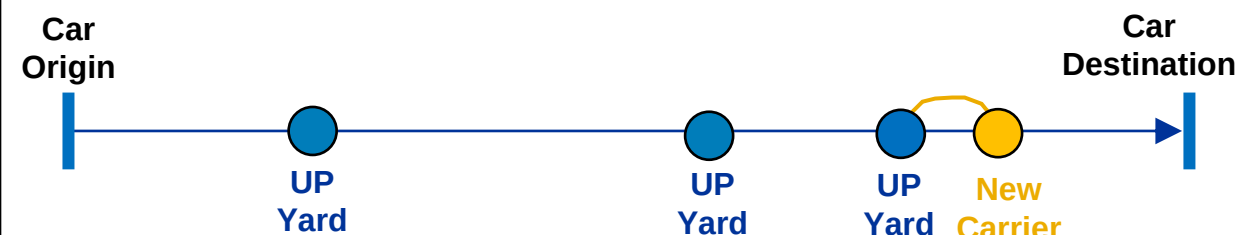
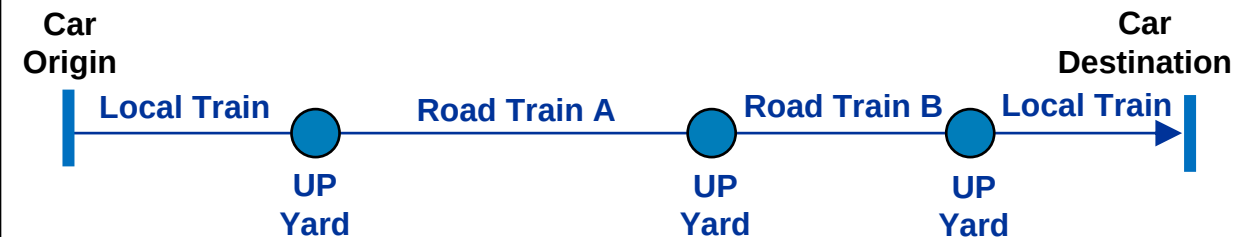
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EP711 – Union Pacific Presentation

November 10, 2021



Reciprocal switching will increase transit time.

Car Connection Examples:



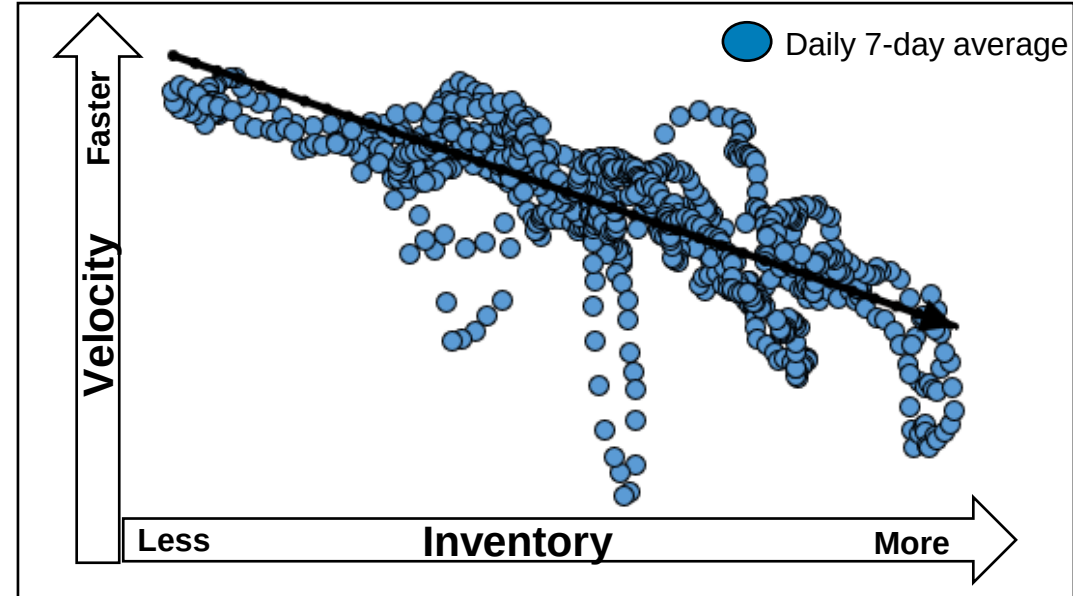
- Transit with three connections is 3 to 10 days.
- Transit with four connections is 5 to 12 days.
- Transit with five connections is 6 to 14 days.

Reciprocal switching will add car inventory to the network.



- Adding transit increases inventory, potentially resulting in network congestion.
- Customers proactively adjust inventory as transit time changes.

Increased car inventory decreases network fluidity.



- Transit times will increase.
- Variability on the railroad will increase.
 - Ability to recover is diminished.
 - Additional handoffs and mileage.
- Likely will push traffic to alternate transportation modes.

Our customers value:



Consistent, Reliable Service



Improved Cycle Times



Competitive Prices



Ease of Doing Business

Reciprocal switching will adversely impact the customer experience.

- Increased number of touch points leads to performance variability.
- More traffic on the network will exacerbate an already strained supply chain.
- Rail will no longer be a competitive mode of transportation, as transit times are bound to increase.