

SURFACE TRANSPORTATION BOARD

Ex Parte 711 (Sub-No. 1)

Summary of Ex Parte Meeting between Union Pacific Railroad and

Surface Transportation Board Member Michelle Schultz

November 10, 2021

Union Pacific Attendees:

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

STB Attendees:

- Michelle Schultz, Member
- Michael Small, Attorney Advisor

Summary:

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

Union Pacific used Slide 2 to describe both 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 Mr. Small, Union Pacific noted the time frames on Slide 2 were calculated using actual Union Pacific switching data. Member Schultz asked whether distance also impacts the time frames. Union Pacific responded that while the front-end car handling doesn't change, transit times are extended due to distances. In response to Member Schultz's follow-up question, Union Pacific agreed that these were average delay ranges.

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 Schultz asked whether Union Pacific can calculate the likelihood of switching requests at network locations. Union Pacific responded that it had no means of anticipating requests that would be sufficient to support investment for either the EP 711 switching or the customers negatively impacted by that switching.

Union Pacific used Slide 5 to describe customers' service needs. Union Pacific clarified that this information was obtained through communication with customers, including 100s of local service surveys, a customer advisory board, the J.D. Power & Associates process, and face-to-face meetings. During these opportunities, customers expressed strong concerns about service variability and cycle times.

Union Pacific emphasized that reciprocal switching would lead to more service variability and more traffic on the network, exacerbating an already strained supply chain. Rail would also be less competitive because transit times would increase.

Member Schultz asked about current Union Pacific switching agreements, including the circumstances under which the agreements were reached. Union Pacific responded that the agreements tended to arise from mergers or other unique circumstances.

Member Schultz asked how reciprocal switching would impact PSR. Union Pacific responded that it did not see much of a difference pre- and post-PSR, and the fact that Union Pacific has fewer work events through PSR does not mean that they will be able to handle reciprocal switching better.

Member Schultz asked about the case-by-case approach taken in the current proposal. Union Pacific responded that without some kind of standard, they would not know how to invest or anticipate where the Board might impose reciprocal switching.

Member Schultz asked about Union Pacific's position on what would be a reasonable distance to allow reciprocal switching to be imposed. Union Pacific responded that it submitted two briefs in 2016 and 2017 addressing reasonable distance, and that the proposal doesn't take into account switching that takes place outside of terminal areas, which would get into through-route issues.

Member Schultz asked about the effect the EP 711 proposal would have on differential pricing and the railroad's right to the long haul. Union Pacific briefly described the negative effects on the railroad's ability to differentially price and its rights to the long haul noted in Union Pacific's late 2016 and early 2017 filings.

Member Schultz summarized Union Pacific's concerns about the EP 711 proposal as follows: there was no way to plan for related increases to congestion, increased variability, and the downstream effects on other customers. Union Pacific confirmed and pointed out that express customer needs also drive its objections.

Member Schultz asked how the Board should address compensation if the proposal were to be enacted. Union Pacific responded that the only way to ensure that pricing is fair and would resemble a market outcome would be to compensate the railroad for lost contributions to maintenance and capital investments.



RECIPROCAL SWITCHING

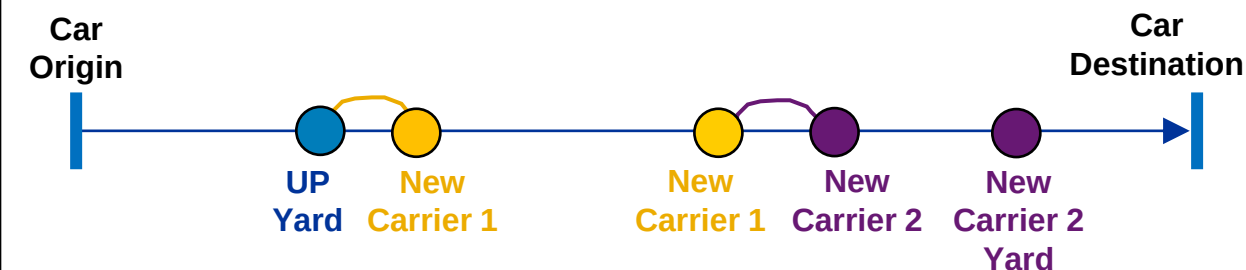
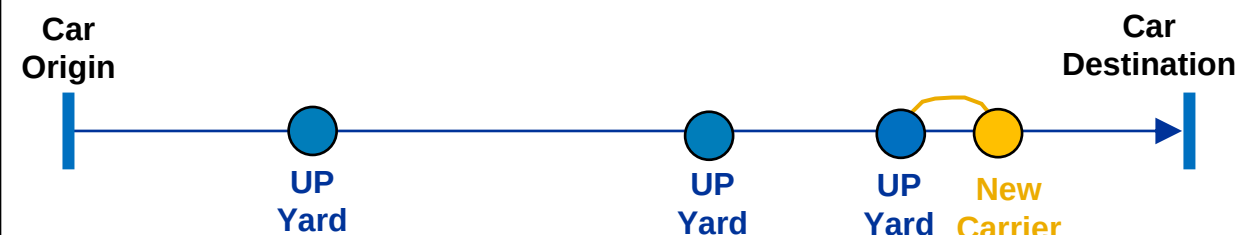
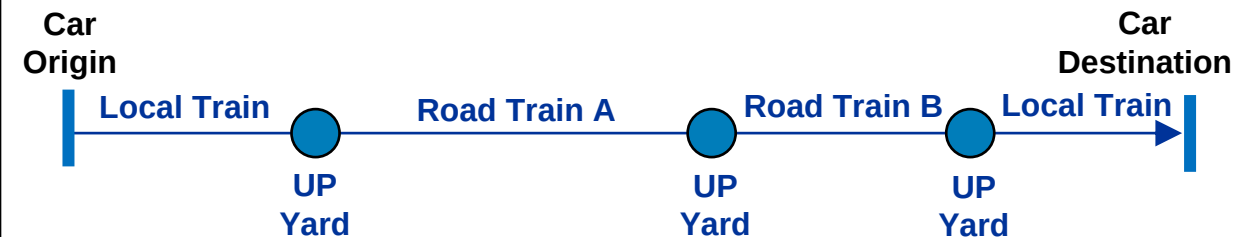
—
EP711 – Union Pacific Presentation

November 10, 2021



Reciprocal switching will increase transit time.

Car Connection Examples:



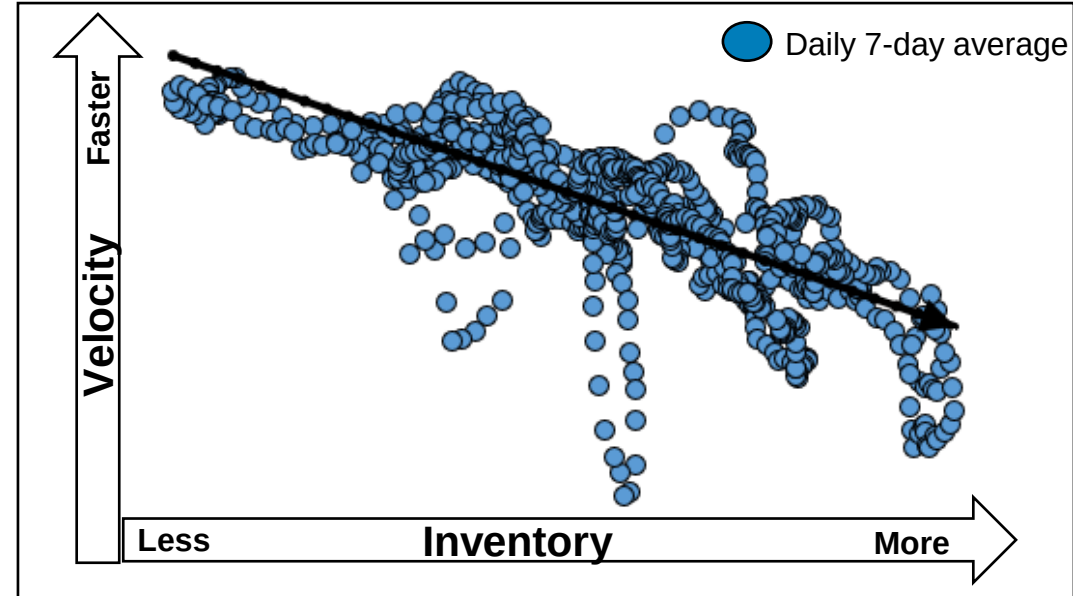
- Transit with three connections is 3 to 10 days.
- Transit with four connections is 5 to 12 days.
- Transit with five connections is 6 to 14 days.

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.