

SURFACE TRANSPORTATION BOARD

Ex Parte 711 (Sub-No. 1)

303233

Summary of Ex Parte Meeting between Union Pacific Railroad and

Surface Transportation Board Chairman Martin Oberman

November 10, 2021

ENTERED
Office of Proceedings
November 22, 2021
Part of
Public Record

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:

- Martin Oberman, Chairman
- Ellen Erichsen, Chief of Staff
- Adam Kress, Attorney Advisor
- Stephanie Borges, Administrative Assistant

Summary:

Union Pacific thanked Chairman Oberman and Board Staff 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.

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. Union Pacific cited the recent example of a bridge outage in the west. Customers increased their car inventory on the network in response to the increased transit times, which caused additional increases in transit times and reduced network fluidity. Chairman Oberman asked whether the figure on Slide 4 represented current reciprocal switching arrangements. Union Pacific clarified that the Slide 4 data demonstrated historical fluidity impacts from increased inventory, but did not specifically address conditions related to reciprocal switching. In response to Chairman Oberman's question about whether Union Pacific had inventory-fluidity data specifically pertaining to reciprocal switching, Union Pacific stated it did not.

Chairman Oberman asked whether Union Pacific was experiencing fluidity problems due to reciprocal switching. Union Pacific cited a study regarding switching in an industrial park that indicated increased cycle times. In response to an additional question from Chairman Oberman, Union Pacific stated it did not have system-wide studies to that effect. Chairman Oberman expressed concern about anecdotal evidence being cited to support claims regarding reciprocal switching and congestion.

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 expressed strong concerns about service variability and cycle times.

Chairman Oberman expressed interest in the potential for reciprocal switching to enhance competition and emphasized that such competition could lead to a stronger rail network with better service and more fair rates. Union Pacific stated that increased variability arising from EP 711 would make railroads less competitive and described the legal analysis Union Pacific included in its late 2016 and early 2017 filings on the intersection of EP 711 and rates.

Chairman Oberman asked Union Pacific to provide any specific examples of a current reciprocal switching location on Union Pacific's system in which the use of switching is causing congestion and expressed interest in reviewing any such concrete information. Union Pacific described the supporting example of a reciprocal switching study performed in Galena Park, Texas and agreed to further explore the Chairman's request.



RECIPROCAL SWITCHING

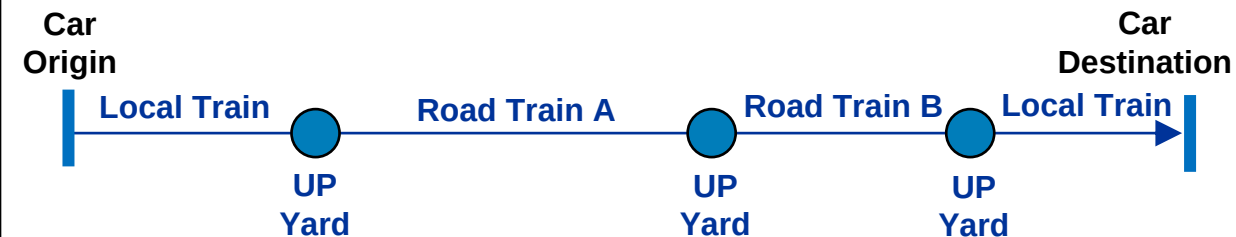
—
EP711 – Union Pacific Presentation

November 10, 2021

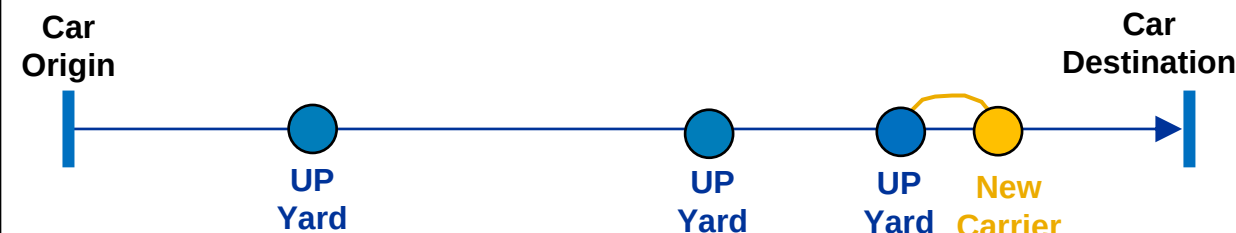


Reciprocal switching will increase transit time.

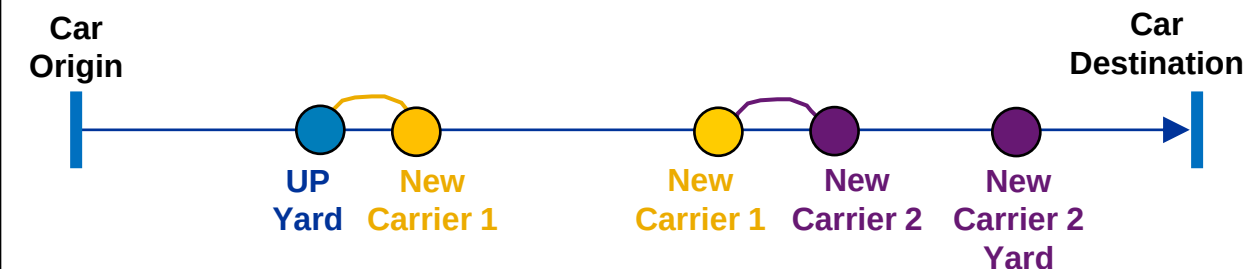
Car Connection Examples:



- Transit with three connections is 3 to 10 days.



- Transit with four connections is 5 to 12 days.



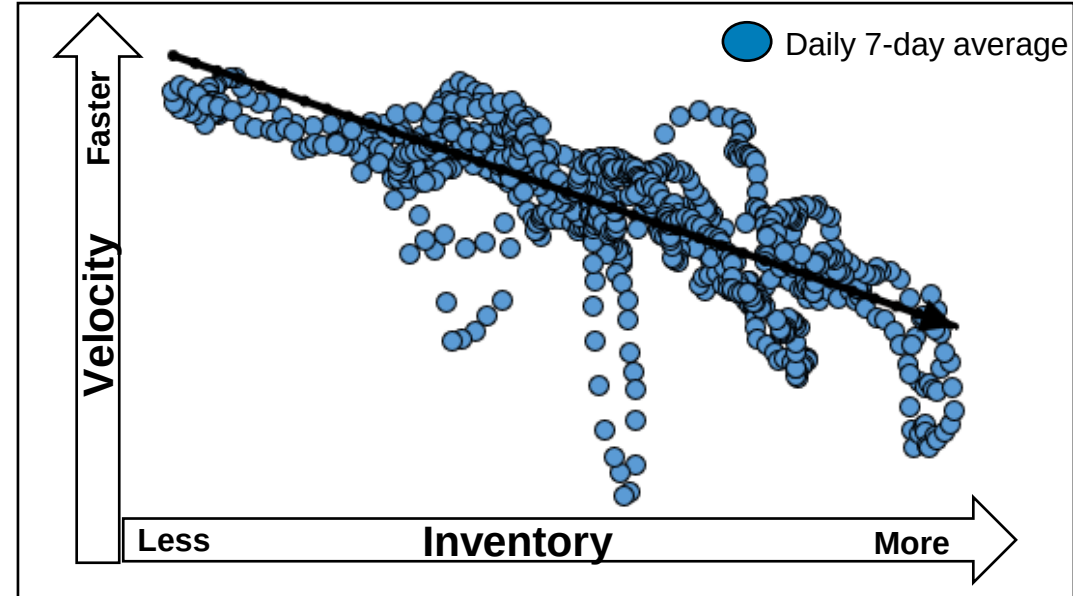
- Transit with five connections is 6 to 14 days.

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.