

SURFACE TRANSPORTATION BOARD

Ex Parte 711 (Sub-No. 1)

Summary of Ex Parte Meeting between Union Pacific Railroad and

Surface Transportation Board Member Patrick Fuchs

November 23, 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:

- Patrick Fuchs, Member
- Lisa Novins, Attorney Advisor

Summary:

Union Pacific thanked Member Fuchs and his 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.

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 stated that customers tend to increase their car inventory on the network in response to the increased transit times, which causes additional increases in transit times and reduced network fluidity.

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.

Member Fuchs asked Union Pacific to describe the data underlying the graph on Slide 4, including its focus, timing, and range. Union Pacific clarified the Slide 4 data demonstrates historical fluidity impacts to Union Pacific from increased inventory, includes measurements dating back to January 2019, and is not specific to reciprocal switching. Union Pacific further clarified the vertical axis ranges from 13-14 mph to 20-21 mph and the horizontal axis ranges from 160,000 – 166,000 cars to 185,000 – 210,000 cars.

Member Fuchs asked about the interaction of the STB's public interest standard, the creation of reciprocal switching arrangements, and any success or failures arising from switching arrangements. Union Pacific sought clarification of the question's parameters. Member Fuchs stated, in part, that the STB could benefit from drawing lessons from reciprocal switching arrangements created in different

contexts. Union Pacific described the STB concerns motivating the switching arrangements proposed by some carriers in the merger context before briefly noting STB matters arising from some of those arrangements.

Member Fuchs asked about specific instances of reduced investment or congestion increases arising from reciprocal switching in multiple contexts. Union Pacific agreed to explore how to assemble, categorize, and provide responsive materials and the timing of its response.



RECIPROCAL SWITCHING

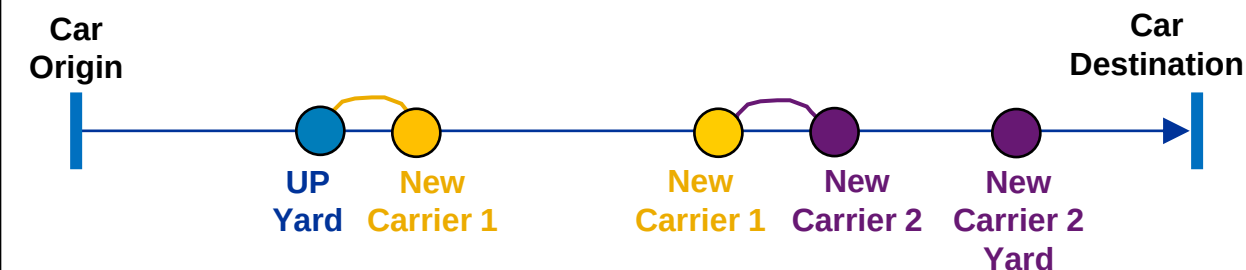
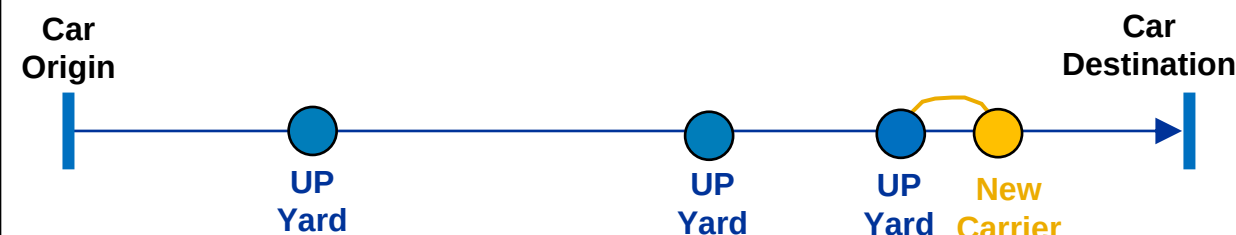
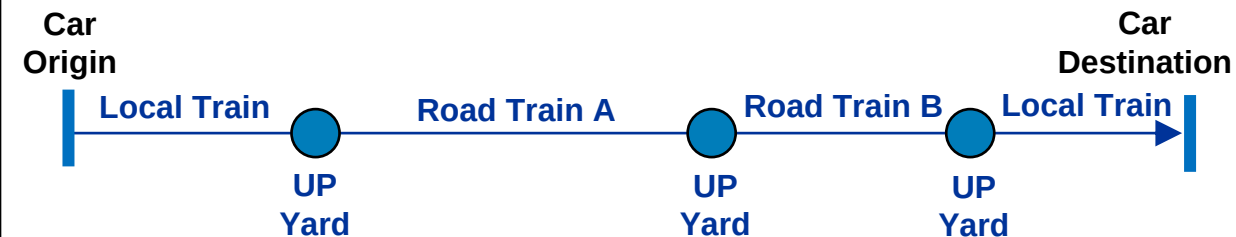
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EP711 – Union Pacific Presentation

November 10, 2021



Reciprocal switching will increase transit time.

Car Connection Examples:



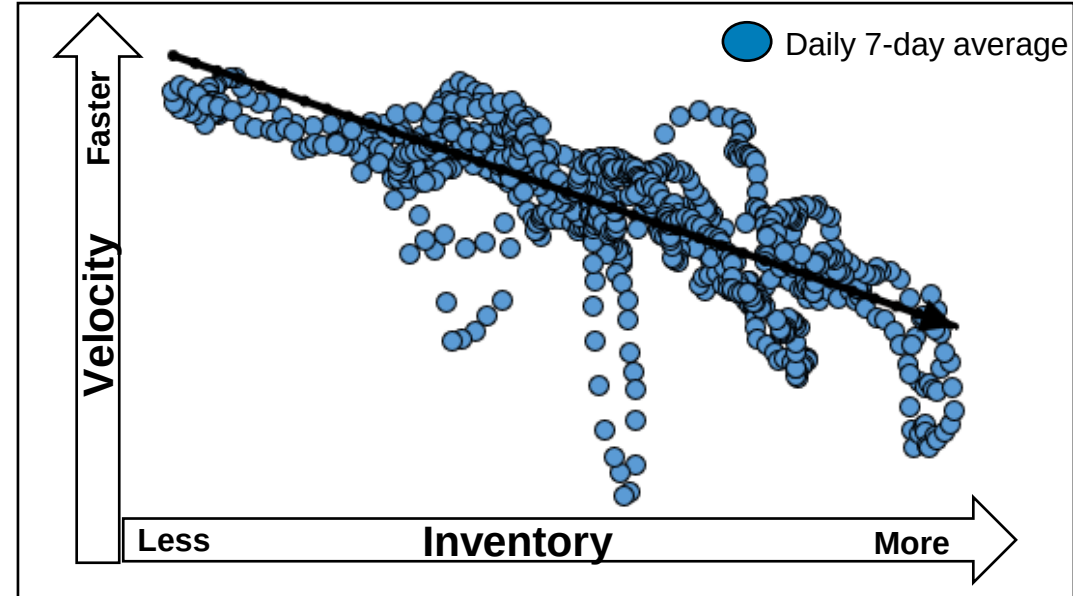
- Transit with three connections is 3 to 10 days.
- Transit with four connections is 5 to 12 days.
- Transit with five connections is 6 to 14 days.

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.