

SURFACE TRANSPORTATION BOARD

Ex Parte 711 (Sub-No. 1)

Summary of Ex Parte Meeting between Union Pacific Railroad and

Surface Transportation Board Vice Chairman Robert Primus

November 30, 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
- Tonya Conley, Senior Counsel – Law

STB Attendees:

- Robert Primus, Vice Chairman
- Elizabeth McGrath, Attorney Advisor

Summary:

Union Pacific thanked Vice Chairman Primus and Elizabeth McGrath 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 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.

Vice Chairman Primus thanked Union Pacific for its presentation and described comments and requests from customers identifying EP 711 reciprocal switching as a necessary remedy for poor service levels. The Vice Chairman asked why Union Pacific customers would request reciprocal switching if that remedy would degrade service. Union Pacific cited the administrative record in responding that customers originally hoped EP 711 could be used to reduce service rates. Union Pacific also stated that individual customers appear focused on individual outcomes and are not accounting for the remedy's potential impact on either the network or customers not seeking switching relief.

Vice Chairman Primus asked whether there were circumstances under which reciprocal switching arrangements could work. Union Pacific noted that switching in the merger context is typically supported by pre-merger investments from multiple, overlapping railroads, resulting in circumstances supporting switching.

Vice Chairman Primus asked what Union Pacific has done to address the concerns driving customer demands for an EP 711 remedy. Union Pacific described some of the substantial investments made to support Union Pacific customers, including investments in: transload sites; backloading opportunities; equipment; and technology increasing service transparency. Union Pacific also described efforts to provide customers with strong service product through reductions in the excess network inventory introduced in response to increased transit times caused by various phenomena (e.g., wildfires).

Vice Chairman Primus stated his strong expectation the industry will improve its service product and work with customers to find non-regulatory solutions to challenging service issues.



RECIPROCAL SWITCHING

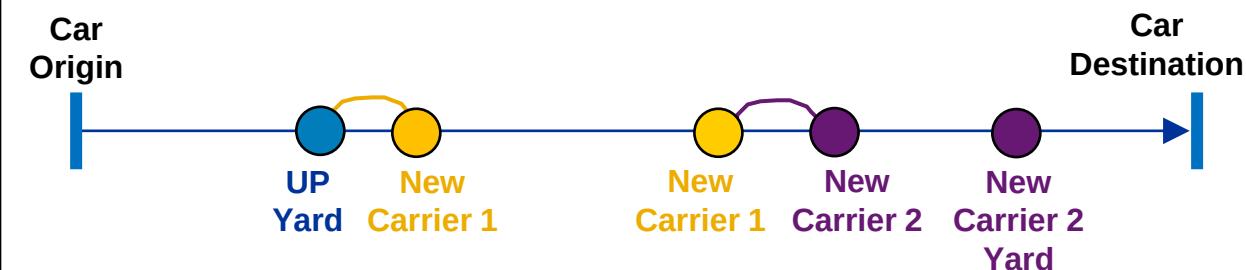
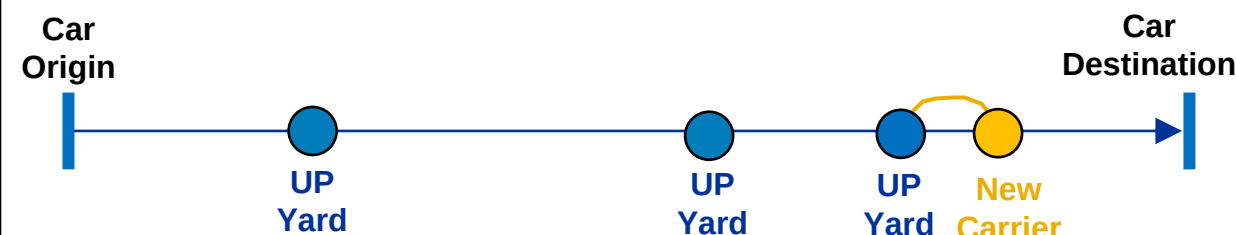
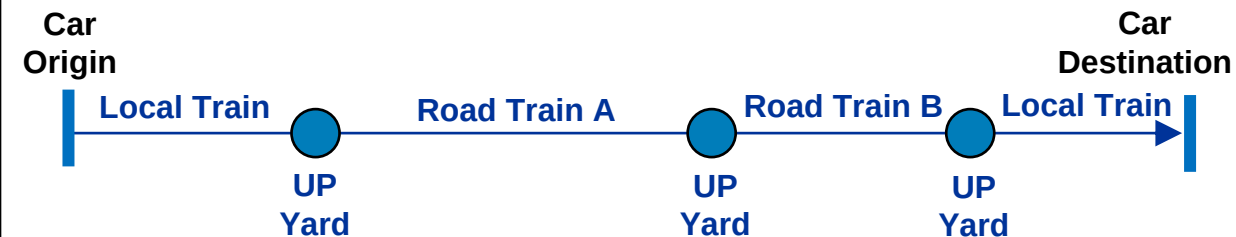
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EP711 – Union Pacific Presentation

November 10, 2021



Reciprocal switching will increase transit time.

Car Connection Examples:



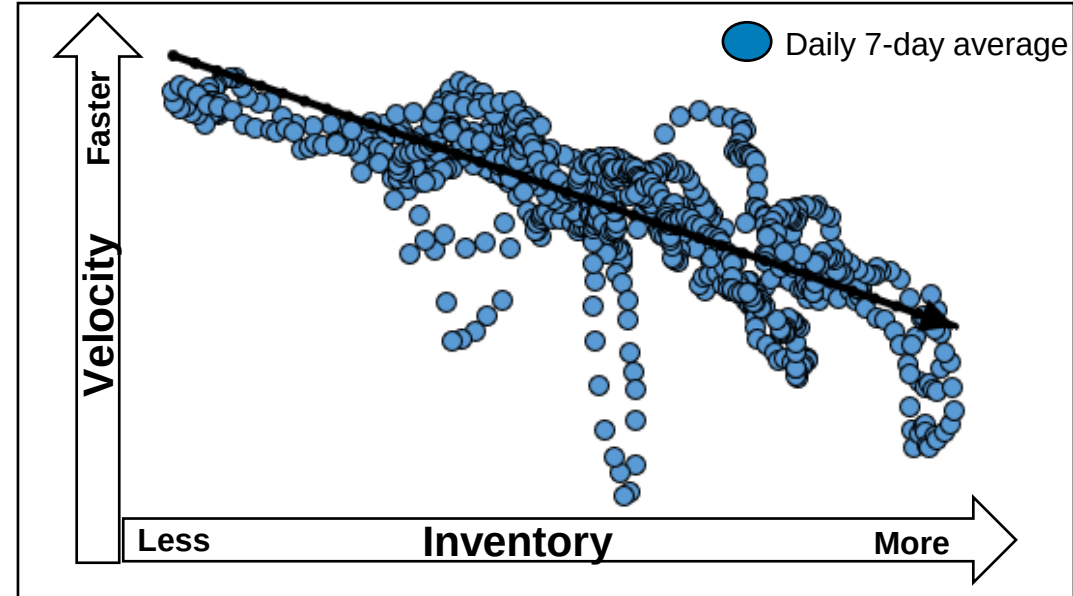
- Transit with three connections is 3 to 10 days.
- Transit with four connections is 5 to 12 days.
- Transit with five connections is 6 to 14 days.

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.