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Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20024

Re: **Docket No. EP 770 – *Urgent Issues in Freight Rail Service***

Dear Ms. Brown:

Union Pacific respectfully requests that the Testimonies of Elizabeth F. Whited and Eric J. Gehringer be filed in Docket Number EP 770. Please contact me if you have any questions. Thank you.

Sincerely,

Whitney Larkin

Enclosure

Surface Transportation Board

Docket No. EP 770

Hearing on Urgent Issues in Freight Rail Service – April 26-27, 2022

Testimony of Union Pacific Railroad Company

STB Hearing on Urgent Issues in Freight Rail Service

April 27, 2022

Testimony of Elizabeth F. Whited
Union Pacific Railroad Company

Good afternoon, Chairman Oberman, Vice Chairman Schultz, Members Fuchs, Primus, and Hedlund, and Board Staff. I am Beth Whited, Executive Vice President Sustainability & Strategy for Union Pacific Railroad. I, along with Eric Gehringer, Executive Vice President Operations, and our counsel Mike Rosenthal, thank you for the opportunity to appear at this hearing on behalf of Union Pacific.

I know you are concerned about employment levels at Union Pacific and other railroads. I am testifying today because my role includes Human Resources. In my testimony, I will describe:

1. Our approach to setting employment levels;
2. Our response to recent, dramatic changes in traffic volumes; and
3. Our plans for growing a workforce that is prepared to meet future challenges.

First, our basic principle in setting employment levels is to staff to the work, so our employees have fulfilling, productive roles. We do not want employees with so little work that they become disengaged, or so much work they become overloaded. Of course, we recognized the nature of our business means we experience disruptions and surges that are difficult, if not impossible, to predict. We do our best to staff so Union Pacific can succeed despite those challenges.

I understand the Board is particularly interested in employment levels for train crews. There, when we staff to the work, traffic volumes are a central focus. When traffic volumes fall and work opportunities drop, our collective bargaining agreement encourages us to manage employment

levels through furloughs. Placing employees on inactive status until the work returns and they are recalled to active service.

We applied that basic employment level principle in 2020. As you are certainly aware, 2020 was a period when we reduced employment levels in response to a reduction in traffic volumes. As COVID-related shutdowns significantly reduced the demand for rail transportation, we increased the number of furloughed employees. And later, as volumes started to return, we started recalling those employees. While our initial return rate was promising – at around 70% - that rate decreased as we recalled employees in greater numbers. Like other businesses that recalled employees after COVID-related shutdowns, we found a significant number of employees – in our case around 50% -- were choosing not to return.

As we saw this pattern emerging, even before recalling all our furloughed employees, we put in place a significant plan to hire new employees. But while our volumes grew close to pre-shutdown levels, we -- like all employers -- faced significant headwinds in meeting our hiring goals.

Those hiring headwinds are a particular problem in certain parts of our network. The latest labor market reporting shows the U.S. unemployment rate is at 3.8 percent, with a near-record level of job openings. And Union Pacific operates in some of the Nation's tightest labor markets, with unemployment numbers below the very low national average. Our employment numbers are falling short in locations that generally have both the most work and the lowest unemployment rates.

With 20/20 hindsight, you can say we should have started hiring in the more difficult markets sooner. But we did not foresee the change in expectations for a labor market emerging from the pandemic shutdown. Job seekers now want more flexibility, better hours, and set schedules. We are working to create jobs that are more appealing and meet the needs of the future workforce and will work with our union partners in addressing those needs. Currently, UP has no furloughed train service employees.

Third, we are planning for the future, positioning ourselves to continue hiring as we grow and retain the employees we hire and train. Our plan is to hire 1400 train service employees this year. Increasing the breadth and diversity of our recruiting pipeline is critical in meeting Union Pacific's present and future hiring needs. Our demographic data indicated there were segments of the population that were not part of our candidate pools. Union Pacific has responded by adopting aggressive diversity goals so that by 2030, our workforce will better reflect the communities we serve. We are progressing toward these important goals by broadening our outreach, improving our recruitment technology, and making our recruitment and hiring process more welcoming to all candidates. Also, we strategically partnered with Jobs for America to include students near high school graduation and Second Chance to include candidates that may have taken a different path and are looking for stable, well-paying opportunities to join the workforce. We have partnered with the National Association of Manufacturers to connect with high school students interested in industrial arts and are working to ensure young women have the confidence and desire to work in fields where women are underrepresented. Great People Know Great People, our paid employee referral campaign, has led to more than 300 job offers.

We have also increased the speed of our employment and training pipeline. In January, we began offering candidates the option to submit pre-recorded interviews which saves time by avoiding scheduling and creates more access with no appointment. More than 1000 pre-recorded interviews were completed in first quarter 2022, a 50% increase in completed interviews over the prior quarter. We have also streamlined the candidate evaluation process, removing administrative steps between the interview and an offer. The result has been a 31% decrease in time from application to offer, and a 44% decrease in application to “release to start” time in first quarter 2022 as compared to the prior quarter.

Our greatest challenge may be moving candidates from offer acceptance to fully-trained employees. For a Train Crew employee to become qualified for the position and learn how to perform the job safely, they must complete 14 weeks of classroom and on-the-job training. To meet our current hiring demand, we have added 25 instructors, increased the new hire class frequency to a bi-weekly cadence, and increased class size while maintaining student teacher ratios. We have also encouraged new hires to start in hard to fill locations by offering financial incentives and covering expenses to bridge the gap between first day at UP and first paycheck.

Once we hire and train employees, we do not want to lose them. We are working to minimize attrition by supporting an engaged workforce. That support ranges from Departmental Diversity, Equity, and Inclusion action plans to our 10 active and engaged Employee Resource Groups (including groups for Veterans, women, and those interested in a sustainable and innovative railroad).

In addition, Union Pacific has long recognized that members of the United States military are dedicated individuals who bring a unique set of skills to the railroad. We engage with transition offices on military installations and Veteran offices at universities, community colleges, and technical schools. Once on board, we support our military employees and their families when the employees are called to duty.

To support our employees in personal and career development, we launched a partnership with the University of Nebraska at Omaha (UNO), creating an opportunity for the professional development of all employees with free tuition at a nationally ranked university offering online and in-person learning. Nearly 500 employees have become UNO students.

Union Pacific is confronting the hiring challenge by focusing on candidate needs – both present and future – and making Union Pacific the workplace of choice.

Thank you. And now Eric will talk about service.

STB Hearing on Urgent Issues in Freight Rail Service

April 27, 2022

Testimony of Eric J. Gehringer
Union Pacific Railroad Company

Good afternoon. As you know, I am Eric Gehringer, Executive Vice President Operations for Union Pacific Railroad. I want to thank you for the opportunity to speak regarding Union Pacific's current service issues. Union Pacific understands the severity of the situation and is working hard to restore service to the levels our customers expect.

By the close of my testimony, I will have addressed the following key points:

- Network congestion is causing progressively poorer service on the Union Pacific network;
- Union Pacific's actions to reduce inventory will improve the overall health of the rail network; and,
- Our increased network resources and adjusted transportation plan will assist in easing mainline congestion.

I need to start by describing some terms and metrics we use internally when evaluating network congestion. **Gross inventory** is the total number of cars on the network, including stored cars and cars at customers' facilities. You may be less familiar with the term **active inventory**, which is gross inventory minus the number of stored cars. This finally gets me to the key term -- **operating inventory**. Operating inventory is active inventory minus cars placed at customers' facilities.

The key metric for understanding what is happening on the railroad right now is **cars per carload**. Cars per carload is the operating inventory divided by the average daily number of revenue carloads. Put more simply, cars per carload is the number of cars it takes to support moving one daily carload across the network. When cars per carload goes up, that means Union Pacific is taking more time to move each car across its network.

Right now, Union Pacific is seeing a significant surplus in operating inventory, which causes a much higher than typical cars per carload count. This operating inventory surplus is one of the contributors of network congestion. To put this into perspective, our operating inventory from January to April of this year has increased by 30,070 cars or 18%. This rate of increase is extremely high compared to previous years where the rate of increase was about 2,000 cars in the same period. That congestion is impacting our crew and power availability, which feeds into a cycle degrading network fluidity.

We have also seen congestion like this in November 2014 where there were over 218,000 cars of inventory on the network with 8.2 cars per carload, November 2017 where there were over 210,000 cars of inventory on the network with 8.3 cars per carload, and March 2018 where there were over 216,000 cars of inventory on the network with 9.0 cars per carload.

In March and leading into April 2019, cars per carload on the Union Pacific network were at 9.1 with operating inventory hovering around 200,000. The network was congested. We were able to work through that 2019 congestion by reducing the number of cars on the network, thereby increasing car velocity and train speed. We know from experience that reducing operating inventory alleviates congestion. And, though we know that getting cars off the network is one of several immediate actions that we can take to reduce inventory, we cannot do this overnight. With the amount of congestion currently on the network, it will likely take us the better half of the year to de-congest the network assuming minimal variability on the network in addition to our customers' crucial help in taking private cars off the network.

This brings me to the current state of Union Pacific's network. Mr. Chairman, I'm not going to use euphemisms. I am going to give you the numbers. Our operating inventory is 195,000 cars, car velocity is 179 miles per day, First Mile, Last Mile is 90%, and Dwell Time is 24.9 hours. None of those meet our expectations. This network congestion is the result of a combination of factors. First, a series of unanticipated service interruptions caused delays across our network, which created unanticipated demand for our crew and locomotive resources. In addition to the unanticipated resource demand, like many other companies, our ability to onboard new train service employees in some locations has been challenged post-Covid. As a result, we have modified some of our talent acquisition and new hire onboarding strategies and processes to timely acquire new talent. The cumulative effect of crew shortages in difficult to hire locations and increased inventory led to greater resource imbalances, and further slowdowns of our operational performance.

So, what are we doing today to solve this problem? We are pulling on several levers at the same time. First, we are taking an aggressive approach to reduce operating inventory—more aggressive than in the past. We are in the process of reducing the number of Union Pacific controlled cars on the system by 2 to 4% within the next 30 days. Second, we are exploring whether to meter our traffic in the near term. Third, as Beth mentioned, we are working hard toward our goal of hiring 1,400 train service employees in 2022. Since April 2021, we hired over 700 train service employees and charged the pipeline with an additional 500 train service employees in training. This aggressive action has resulted in us graduating approximately 400 train service employees since implementing this plan. In addition to the aggressive hiring, we continue to focus on

judiciously using our crews, and injecting the appropriate number of locomotives into the system. We are also working closely and collaboratively with our customers to reduce private car inventory. This multi-front approach will help expedite recovery for us and our customers from this period of congestion and ultimately grow our network.

Let me address quickly the concept of metering traffic, which has been a concern expressed by a number of our stakeholders. Metering traffic will allow Union Pacific to control the number of cars on the network, while simultaneously serving all customers by resolving the congestion. As you know from conversations we had with you a few weeks ago, we have reached out to 7,000 customers but only engaged directly with those customers who have the highest impact on the network. During those conversations with our customers, we described what we are trying to accomplish and that we were considering metering their traffic to help improve network fluidity. When implemented, metering will get operating inventory to an appropriate level on the network, and allows customers to reduce their cars on the network. Some of our customers have agreed to reduce the excess cars from the network, which will help reduce operating inventory on the network in the near term. So, our work with our customers is showing positive momentum.

Our plan includes strategically deploying additional resources where the current operational congestion has created crew and power shortages, and the addition of crews and power can help alleviate congestion. We have added 150 locomotives since January 2022, including 100 locomotives in the last 30 days. We have also relocated approximately 80 “borrow-out” train service employees to enhance crew supply within specific network areas where we are seeing

increased service demand. With these key measures in place, we anticipate that train speed will increase while terminal dwell will decrease.

With 20/20 hindsight in plain view, a global pandemic and supply chain problems, we acknowledge that these abnormal, external, and random events have interfered with our operations beyond what we anticipated. We set out to hire at the appropriate rate based on our projections, but the labor market in certain locations proved challenging. Reflecting on that, we acknowledge that we were more fragile than we initially realized, and we recognize this is as an opportunity for us to improve. Once we became aware that these events were not isolated and more enduring, we started taking the necessary, measured steps to quickly improve the overall health of the rail network and our workforce.

Let me close where I began, by making clear that we understand our current service is not meeting our customers' expectations or our own. Union Pacific agrees with our stakeholders that an efficient rail system free from excessive congestion and delay is vital to a robust supply chain and the national economy. We know that to restore our service levels, we **must** recover the system by charging the employee pipeline and being judicious with our crews. We are now at the right number of locomotives on the network to handle current and future projected volume. Finally, our transportation plan specifically targets eliminating excess inventory off of the system. And we are asking our customers to partner with us in this effort. We are confident that doing this will get the network to a place where it is moving smoothly once again.

Thank you for your time. I am happy to answer your questions.