

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36873

UNION PACIFIC CORPORATION AND UNION PACIFIC RAILROAD COMPANY
—CONTROL—
NORFOLK SOUTHERN CORPORATION AND NORFOLK SOUTHERN
RAILWAY COMPANY

VERIFIED STATEMENT

OF

GRANT JANKE

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VERIFIED STATEMENT

OF

GRANT JANKE

1. My name is Grant Janke. I am Assistant Vice President, Capital Planning & Finance for Union Pacific Railroad Company (“UP”). I have served in this position since 2024 and have been employed at UP since 1994.

2. I have served in many roles during my time at UP, including Assistant Vice President, Network & Capital Planning, and Assistant Vice President, Strategic Planning. I earned a bachelor’s degree in finance from Kansas State University.

3. In my current role with UP, I have responsibility for management and oversight of the planning initiatives of UP’s capital budget. Additionally, my team has responsibility for the analysis, controls, and reporting of the company’s operating expenses.

4. I am submitting this verified statement to describe the preparation and contents of the Summary of Benefits Exhibit, which is Appendix B in this volume of the Amended Application.

5. The Board’s rules require Applicants to enumerate and, where possible, quantify the net public benefits their merger would generate. Applicants in railroad merger proceedings routinely portray the quantifiable economic costs and benefits of their proposals in a Summary of Benefits Exhibit.

6. The Summary of Benefits Exhibit in this case is intended to capture identified quantifiable benefits arising from the combination of UP and Norfolk

Southern Railway Company (“NS”). Applicants did not attempt to capture all of the potentially quantifiable benefits of the merger. Instead, Applicants focused on some of the largest examples of quantifiable benefits. This includes providing shippers with savings, optimizing processes, eliminating duplication, and implementing improved technology.

7. The Summary of Benefits Exhibit also does not attempt to estimate non-quantifiable benefits of the merger. These are addressed throughout the Amended Application, including:

- Benefits to existing customers of UP and NS from faster, more reliable, more efficient single-line service. For many existing customers, the merger will reduce inventory carrying costs, reduce the costs of rail car ownership, and expand opportunities to grow business by serving new markets. These benefits are addressed in the Joint Verified Statement of Kenny Rocker and Claude E. “Ed” Elkins, the Verified Statement of Dr. Elizabeth M. Bailey, PhD, and the Verified Statement of Dr. Mark A. Israel.
- Benefits to current customers of rail transportation services in lanes served by UP/NS in terms of increased rail-to-rail competition. These customers will benefit from more intense competition and improved transportation options. These benefits are addressed in the Joint Verified Statement of Kenny Rocker and Ed Elkins, the Verified Statement of Dr. Elizabeth Bailey, and the Verified Statement of Dr. Mark Israel.
- Benefits to the American economy as a whole from an American transcontinental railroad that will deliver growth by supporting domestic manufacturing, increasing the ability of American businesses to export their goods through ports, and strengthening our national defense. The Verified Statement of Jim Vena and the Verified Statement of Mark George address these benefits, as does the Joint Verified Statement of Kenny Rocker and Ed Elkins.
- Benefits to American workers, in the form of expanded job opportunities created by this growth-driven merger. The merger protects union employees, and Applicants project employee growth to handle additional traffic attracted to the merged system’s more competitive service

offerings. The Verified Statement of Jim Vena and the Verified Statement of Mark George also address these benefits, as does the Verified Statement of Maqui Parkerson.

- Benefits to American taxpayers of shifting freight traffic from taxpayer-funded roadways to privately funded railroads. The Verified Statement of Jim Vena and the Verified Statement of Mark George address these benefits, as does the Verified Statement of Matthew Graham.
- Benefits to all Americans from diverting more than two million trucks to safer and more environmentally friendly rail transportation, as discussed in the Verified Statement of Matthew Graham. In addition, Chicago-area residents will benefit from the reduction of rubber-tire interchanges between UP and NS intermodal facilities in the Chicago area, as described in the Operating Plan.

8. The Summary of Benefits Exhibit summarizes three principal categories of benefits: (a) increases in net operating revenues realized by UP/NS as a result of traffic attracted to new, more competitive offerings of UP/NS; (b) the net reductions in costs that will flow from the merger, including administrative costs, operating costs, and personnel costs; and (c) shipper savings resulting from shifting traffic from truck to rail.

9. The Summary of Benefits Exhibit shows the projected benefits and costs during each of the three implementation years leading to full integration of UP/NS. For each year, Applicants identified “annual” costs and benefits, “one-time” costs and benefits, and planned investments. The Summary of Benefits Exhibit shows projected benefits in 2023 dollars, as are dollar figures in this Verified Statement.

10. Applicants also show projected costs and benefits in a “normal year.” The normal year is a projected typical year after UP and NS are fully integrated. By the normal year, the costs and benefits are annual and recurring. All the one-time costs and benefits have been spent or received by then.

11. In the UP/NS merger, certain traffic gains will depend in part on capital expenditures, including projects that will increase the capacity of the main line and yards. UP and NS will also invest capital on Mechanical projects, Engineering equipment, freight car modifications, and technology investments. UP/NS will complete this capital work and use it to enhance operations as soon as practically possible.

12. Applicants estimate that UP/NS will spend approximately \$2.0 billion in the first three years in capital investment in support of the merger.¹ UP/NS will invest \$959.9 million to enable Growth Plan traffic volumes described in the Operating Plan.² Another \$1.0 billion will enable technology improvements and other synergies.³ This amount includes a \$798 million investment to integrate UP and NS information technology systems and ensure that UP/NS operates on best-in-class, reliable, and efficient systems, as described in the Information Technology part of the Service Assurance Plan.⁴ Applicants anticipate 35 percent of the total capital expenditures required to support operations will occur during the first year of UP/NS combined operations, 39 percent in the second year, and 26 percent in the third year.⁵ The timing of benefits is based on predictions by affected departments about when

¹ See Workpaper “Synergies Transportation - Operating.xlsx,” Tab “Capital Investment,” Tab H104.

² See *id.*, Cell H90; Am. App., Vol. 2, Operating Plan § 7.

³ See Workpaper “Synergies Transportation - Operating.xlsx,” Tab “Capital Investment,” Cell H96.

⁴ See *id.*, Cell H7.

⁵ See *id.*, Cells E114, F114, and G114.

those benefits would be realized and is shown in the work papers accompanying this verified statement.

13. Some of the synergies discussed in this statement will affect UP's and NS's agreement and management workforces. For example, efforts to insource tasks currently performed by third party contractors will add jobs for craft employees. Detailed information regarding the effect of the proposed transaction on Applicants' employees is provided in the Employee Impact Exhibits in Electronic Appendices A and B of the Amended Application and discussed in the Verified Statements of Joshua Perkes and Maqui Parkerson.

I. Increases in Net Operating Revenues

14. The Summary of Benefits Exhibit shows projected net revenue gains to UP/NS as a result of new and more competitive service offerings. Net revenue gains represent revenues from additional rail traffic less the costs of handling such traffic. These revenue gains reflect public benefits because they flow directly from strengthened competition provided by a merged UP/NS: they result because shippers will view UP/NS service offerings as more attractive than their pre-merger options.

15. The net revenue gains are based on analyses presented by several witnesses. The Verified Statement of David Hunt of Oliver Wyman concludes that some shippers, responding to new and more competitive service offerings, will elect to use UP/NS rather than truck, and other shippers will choose to route their

shipments for a longer distance on UP/NS or decide to use UP/NS service instead of shipping on another railroad.⁶

16. For all this traffic, Mr. Hunt estimated UP/NS's revenues based on 2023 revenue per-ton-mile data.⁷ In their Joint Verified Statement, Michael Boyles and Divya Mathur estimate the additional costs of handling the traffic by applying Uniform Rail Costing System ("URCS") unit costs associated with moving the traffic over the merged UP/NS system.⁸

17. In the normal year, Applicants expect gross revenue gains from additional traffic of approximately \$4.0 billion.⁹ Applicants expect the additional costs of handling that traffic will be approximately \$2.3 billion.¹⁰

18. Applicants expect UP/NS will spend \$959.9 million to add capacity to the combined network in support of additional traffic.¹¹ Capacity spending includes investment along UP/NS main lines to construct second main track, extend sidings, and improve signal systems. It also includes investments across the UP/NS network to increase capacity at a number of manifest yards, intermodal terminals, and

⁶ See Am. App., Vol. 2, Verified Statement of David T. Hunt ("Hunt VS") § 4 (Truck-to-Carload Rail Traffic Diversions); *id.* § 5 (Truck-to-Intermodal Rail Traffic Diversions); *id.* § 6 (Rail-to-Rail Traffic Diversions).

⁷ See *id.* § 8 (Revenue).

⁸ See Am. App., Vol. 1, Verified Statement of Michael Boyles and Dr. Divya Mathur ("Boyles/Mathur VS") ¶¶ 9–11.

⁹ See Hunt VS, Exhibit 8-1 (Total diversion revenue estimate).

¹⁰ See Boyles/Mathur VS, Figure 2 (Incremental Costs of Diverted Traffic).

¹¹ See Workpaper "Synergies Transportation - Operating.xlsx," Tab "Capital Investment," Cell H90.

automotive terminals. Finally, capacity spending includes investments to upgrade UP/NS's refrigerated box car fleet to move traffic identified in the Growth Plan.

II. Savings from Cost Reductions

19. The Summary of Benefits Exhibit also shows projected cost savings that will be achieved by a merged UP/NS. These cost savings represent efficiencies UP/NS will achieve by combining their operations. These cost savings are public benefits because they will allow UP/NS to compete more aggressively and increase the resources available for reinvestment in innovating and improving service quality for customers.

20. The projected cost savings shown in the Summary of Benefits Exhibit flow from savings in three categories of costs: (1) administrative; (2) operating, including procurement; and (3) personnel.

21. For these categories, Applicants reviewed UP's spending history and practices against NS's spending history and practices, seeking to eliminate duplication or apply the efficiency of the best practice or technology to the combined railroad. Where Applicants concluded UP has the better practice, they determined the estimated percentage savings from NS's spending history that could be achieved in the future through application of UP's practice to a combined UP/NS. Where Applicants concluded NS has the better practice, they determined the estimated percentage savings from UP's spending history that could be achieved in the future through application of NS's practice to a combined UP/NS.

A. Savings from Reductions in General & Administrative Costs

22. The Summary of Benefits Exhibit includes savings attributable to reduced General and Administrative (“G&A”) costs. The G&A savings include (1) non-personnel, non-operating savings; (2) overhead savings associated with rationalized terminals; (3) overhead savings associated with personnel efficiencies; and (4) savings associated with technology spending that result from combining the management and administrative functions of UP and NS.

23. Some savings stem from eliminating duplicative expenses or activities. For example, the combined organization would now only need to pay one set of fees to the New York Stock Exchange, and will be able to combine fees related to the mailing of proxy statements. In addition, personnel efficiencies will reduce overhead expenses, including from computer, cell phone, travel, vehicle, and office supplies.

24. Significant technology savings will also be realized. Applicants expect over \$60 million of annual savings will come from rationalizing managed service provider and contractor software development expenses.¹² Another roughly \$90 million in annual savings will come from consolidating and rationalizing software license agreements between the companies across a range of functions.¹³

25. Overall, Applicants expect the UP/NS merger will produce \$198 million annually in G&A savings, as shown in Table 1.¹⁴ Applicants also expect the merger

¹² See Workpaper “Synergies G&A - Admin.xlsx,” Tab “Tech,” Cell E65.

¹³ See *id.*, Cell E66.

¹⁴ See *id.*, Tab “Summary Tracking Sheet,” Cell H23.

will result in an estimated \$40 million in annual capital savings through avoided duplicative investment in developing information technology systems.¹⁵

26. Table 1 below summarizes total estimated G&A expense savings by year following approval of the merger.

Table 1
Annual Savings for General & Administrative Expense
(\$ Millions, 2023 dollars)

G&A Expenses	Year 1	Year 2	Year 3	Normal Year
G&A Non-Labor ¹⁶	\$21	\$32	\$36	\$36
Technology ¹⁷	-	-	161	161
Total G&A Savings ¹⁸	\$21	\$32	\$198	\$198

(Numbers may not add due to rounding)

B. Savings from Reductions in Operating Costs

27. The Summary of Benefits Exhibit also shows projected reductions in operating costs that will flow from the merger. This category includes the savings Applicants expect will result from merger-related changes to (1) rail operations, (2) rolling stock and engineering, (3) operating practices and operating application technologies, and (4) procurement practices. Categories (2), (3), and (4) do not include labor-related savings, which are discussed in Section II.C.

¹⁵ See Workpaper “Synergies Transportation - Operating.xlsx,” Tab “Tech Capital Synergies,” Cell D55.

¹⁶ See Workpaper “Synergies G&A - Admin.xlsx,” Tab “Summary Tracking Sheet,” Cells E19:H19.

¹⁷ See *id.*, Cells E22:H22.

¹⁸ See *id.*, Cells E23:H23.

1. Savings from Changes to Rail Operations

28. The changes in rail operations resulting from the merger are described in the Operating Plan in Volume 2 of the Amended Application. The Summary of Benefits includes savings from three main sources.

29. First, the merger will create operational efficiencies by allowing the combined company to optimize existing traffic flows. The Operating Plan calculates changes in operating statistics attributable to optimizing existing traffic flows, including reductions to handling, train miles, locomotive unit miles, gross ton miles, car miles, and car days. The Joint Verified Statement of Michael Boyles and Divya Mathur quantifies the dollar savings attributable to those operating metric reductions. Those savings amount to approximately \$77.5 million annually.¹⁹

30. Second, the merger will reduce the number of intermodal boxes that are currently trucked/drayed at interchange locations from one ramp in a city to a second ramp and are placed on an outbound train. By merging, these expenses associated with trucking boxes between ramps will be eliminated. Applicants estimate these savings will be \$26.4 million annually.²⁰

31. Finally, the merger will allow the combined company to reduce fees paid to third parties associated with terminal usage. An example of these cost savings would be savings in terminal switch fees paid as a result of no longer routing cars

¹⁹ See Boyles/Mathur VS, Figure 1 (Summary of Merger-Related Reductions in Operating Expenses).

²⁰ See Workpaper “Synergies Transportation - Operating.xlsx,” Tab “Operating Plan Impact,” Cell K24.

through an intermediate switch carrier. Applicants expect these savings will amount to approximately \$6.7 million annually.²¹

2. Savings from Changes to Rolling Stock and Engineering Departments

32. As discussed in the Operating Plan, UP/NS will generate significant savings in operating costs by implementing best practices and technologies across the Mechanical (a.k.a. “rolling stock”) and Engineering Departments.²²

33. Mechanical non-labor savings will be generated in a variety of ways. For example, UP/NS will be able to (1) rationalize locomotive and car facilities at interchange locations to reduce associated fixed costs; (2) consolidate freight car fleets to enable the utilization of otherwise underutilized assets; (3) reduce repair and material costs resulting from a smaller combined locomotive fleet; (4) normalize the number of vehicles utilized by the NS Mechanical Department to levels more consistent with UP’s rates; and (5) utilize UP shop capacity to insource wheelset production and eliminate contractor spend.

34. Applicants expect UP/NS will invest \$17.3 million in capital expenditure in the first three years to achieve these Mechanical savings.²³ This investment will go toward increasing the capacity of the assembly facility at UP’s North Little Rock,

²¹ See *id.*, Tab “Third Party Fees,” Cell L38.

²² See Am. App., Vol. 2, Operating Plan §§ 10.2, 10.3.

²³ See Workpaper “Synergies Transportation - Operating.xlsx,” Tab “Capital Investment,” Cell H8.

Arkansas facility. That expanded capacity will allow UP/NS to reduce costs by insourcing wheelset assembly.

35. In total, Applicants project that Mechanical non-labor savings will amount to \$32.4 million annually.²⁴

36. Engineering non-labor savings will come from a variety of sources, including but not limited to: (1) normalization of the number of vehicles utilized by the NS Engineering Department to levels consistent with UP's fleet size; (2) utilization of UP's specialty machines for track renewal work on NS in place of the contractors currently used by NS for this work; and (3) utilization of best practices existing at the time of the merger for certain aspects of the business—*e.g.*, spray equipment, data warehouse—in order to avoid paying contractor fees.

37. Applicants expect UP/NS will invest \$66.8 million in capital expenditure in the first three years after the merger to realize these Engineering savings.²⁵ This will go towards purchasing additional specialty machines for track renewal work, which will enable insourcing of rail tie removal and transportation to disposal facilities.

38. In total, Applicants project engineering non-labor savings will amount to \$55.7 million annually.²⁶

²⁴ See Workpaper "Mech_Eng Synergies.xlsx," Tab "MECH Op Plan Impact," Cell I1.

²⁵ See Workpaper "Synergies Transportation - Operating.xlsx," Tab "Capital Investment," Cell H9.

²⁶ See Workpaper "Mech_Eng Synergies.xlsx," Tab "EN Op Plan Impact," Cell I1.

3. Savings from Changes to Operating Practices and Operating Technologies Applications

39. As described in the Operating Plan, UP/NS will generate significant savings in operating costs by implementing best practices and operating application technologies across the combined company.

40. UP/NS will apply best practices to enhance the safety of the combined network. Applicants will use their combined expertise to improve NS's injury rate to match UP's, and improve UP's derailment rate to match NS's.²⁷

41. UP/NS will also realize additional synergies by applying UP operating best practices and intermodal gate technology to the NS network. Examples of these non-labor synergies include applying UP crew transportation and lodging processes to the NS system.

42. Applicants expect UP/NS will invest \$56 million in capital expenditure in the first three years to realize non-labor savings.²⁸ For example, UP/NS will install proprietary gate inspection technology at select NS ramps. By utilizing this in-house technology, gate management can be consolidated, and contractor expense can be eliminated.

²⁷ For additional detail, see the Safety Integration Plan. For the Summary of Benefits, Applicants quantify a partial reduction for the safety and derailment improvements. Specifically, Applicants averaged the injury rate between the UP and NS which reflects a partial reduction in the NS injury rate. The same logic was used for the derailment synergy calculation. *See* Workpaper "Synergies Transportation - Operating.xlsx," Tab "Personal Injury Derailment," Cells C12:G12 and L12:P12.

²⁸ *See id.*, Tabs "Capital Investment," Cell H6 and "PGT," Cell G38 (base source).

43. Applicants project this combined group of non-labor synergies will save \$30.5 million annually.²⁹

44. Applicants also expect UP/NS will install and utilize Operating applications (e.g., SwitchPro NX and remote control locomotive operations) at certain NS manifest terminal facilities.

45. The NX System is a proprietary application that is not available to NS today. This application integrates field equipment, back-office systems, handheld devices, and digital displays to automate remote switching operations and car inventory updates. This enables a single operator to safely and efficiently classify cars. This application enhances safety by reducing time spent walking the yard and manually operating switches. Applicants expect UP/NS will install this technology at a number of legacy NS terminals. These benefits are quantified within the Personnel section of this Verified Statement.

46. Applicants also expect UP/NS will expand the use of remote control locomotive operations to additional terminals across the legacy NS network. This technology allows an employee to use a wireless handheld device instead of operating the locomotive inside the cab. This system improves efficiency and safety within our rail yards and industrial sites that we serve by reducing crew requirements and giving operators better visibility during switching operations. This application reduces agreement headcount needs, and the benefits are quantified within the Personnel section of this Verified Statement.

²⁹ See *id.*, Tab “Operating Plan Impact,” Cell K21.

47. To realize savings, Applicants expect UP/NS will invest \$108.2 million in capital expenditure in the first three years to install the NX and remote control operations systems.³⁰

48. Applicants also expect UP/NS will implement NetControl as the operating system on UP/NS as discussed in the Information Technology section of the Service Assurance Plan. With the implementation of NetControl, UP/NS will be able to utilize UP's proprietary Terminal Command Center application across legacy NS manifest terminals. Terminal Command Center is a digital platform that gives real-time visibility into terminal operations, including crew productivity and car movement information. By consolidating this information, the management team is able to quickly address challenges, keep operations fluid, and make faster and smarter decisions, the benefits of which are quantified within the Personnel section of this Verified Statement.

49. Applicants also identified an opportunity to reduce the consumption of fuel on the legacy NS network by applying UP policies and efficiencies. Applicants expect to realize this improvement through a number of initiatives: (1) reduced usage of high and low horsepower locomotives as a result of the optimized rail network; (2) increased length of NS trains; and (3) reduced duration of engine component load tests on legacy NS trains, reflecting current UP policy. These changes will save \$46.5 million annually.³¹

³⁰ See *id.*, Tab "Capital Investment," Cell H4.

³¹ See *id.*, Tabs "Operating Plan Impact," Cell K33 and "Fuel Use Merger Initiatives," Cell C67 (base source).

4. Savings from Changes to Procurement

50. UP has applied a proprietary set of principles and processes for almost 20 years to strategically and routinely evaluate its third-party contract spend. These efforts have resulted in considerable savings, including savings to capital expenditures. UP has tracked these by category—for example, materials or contract services.

51. Applicants intend to apply these same principles and processes to NS's procurement. Applicants have already evaluated NS procurement spend based on the R1 Schedule 410 (operating expenses) and Schedule 330 (capital improvements) filings. My team, in conjunction with the stakeholder departments, jointly reviewed the spend categories on these filings, and excluded categories where Applicants did not expect any synergies or where synergies were otherwise quantified in separate analyses. For the remainder, Applicants applied the historical savings rate that they have realized to the NS spend. The potential synergy amount identified was then discounted by 15 percent.³² The savings amount to approximately \$100.5 million in expenses annually, and \$89.8 million in annual capital savings in infrastructure replacement investment.³³

³² See Workpaper “Mech_Eng Synergies.xlsx,” Tab “WAVE OE Summary,” Cell G22; Workpaper “Synergies Transportation - Operating.xlsx,” Tab “WAVE Capital Summary,” Cell G10.

³³ See Workpaper “Mech_Eng Synergies.xlsx,” Tab “WAVE OE Summary,” Cell G23; Workpaper “Synergies Transportation - Operating.xlsx,” Tab “WAVE Capital Summary,” Cell G17.

5. Operating Savings Summary

52. I show the sum of savings from merger-related changes to (1) rail operations, (2) Rolling Stock & Engineering, (3) operating practices and technology applications, and (4) procurement practices below in Table 2.

Table 2
Annual Non-Labor Savings for Operating Expense
(\$ Millions, 2023 dollars)

Operating Expenses	Year 1	Year 2	Year 3	Normal Year
Rail Operations ³⁴	\$55	\$111	\$111	\$111
Rolling Stock & Engineering ³⁵	21	80	88	88
Operating Practices & Operating Technology Applications ³⁶	23	53	77	77
Changes in Procurement ³⁷	25	50	100	100
Total Operating Savings	\$125	\$294	\$376	\$376

(Numbers may not add due to rounding)

C. Savings from Reductions in Personnel Costs

53. The Employee Impact Exhibit, described in the Verified Statement of Joshua Perkes and the Verified Statement of Maqui Parkerson, identifies the impact

³⁴ See Boyles/Mathur VS, Figure 1 (Applicants estimated year one Optimized Plan savings to be half of the year two and year three savings estimated by Boyles and Mathur, to account for implementation timeline.); Workpaper “Synergies Transportation - Operating.xlsx,” Tab “Operating Plan Impact,” Cells H26:K26 and H24:K24.

³⁵ See Workpaper “Mech_Eng Synergies.xlsx,” Tabs “MECH Op Plan Impact,” Cells F1:I1 and “EN Op Plan Impact,” Cells F1:I1.

³⁶ See Workpaper “Synergies Transportation - Operating.xlsx,” Tab “Operating Plan Impact,” Cells H21:K21 and H33:K33.

³⁷ See Workpaper “Mech_Eng Synergies.xlsx,” Tab “WAVE OE Summary,” Cells D29:G29.

of the proposed transaction on all categories of personnel for both UP and NS. The Summary of Benefits quantifies the savings of those impacts.

54. The UP and NS Human Resources departments carefully assessed the impact of the proposed transaction on management positions. The process included reviewing all jobs, by department, to gain insights into position leveling, workload distribution, span of control, overlap, and potential areas for improved efficiency between the two organizations. A cost estimate was then generated for each job determined to be affected based on its respective grade, including fringe benefits. Efficiencies created by the merger will allow UP/NS to realize approximately \$260.1 million annually in management personnel savings.³⁸

55. Synergies also exist for the agreement workforce, particularly in the train, engine, and yard (“TE&Y”), mechanical, dispatching, and engineering departments. Applicants expect efficiencies will stem from yard rationalizations and implementation of new processes and technology. Upon identifying affected functions, the associated headcount was approximated and savings estimated.

56. Applicants project that efficiencies created by the merger will allow UP/NS to realize approximately \$130.8 million of net annual agreement personnel savings.³⁹

³⁸ See Workpaper “Labor Synergy Summary.xlsx,” Tab “Labor Savings Summary,” Cell M176.

³⁹ See *id.*, Tab “AgrmtLabor_Summary,” Cell E18. As discussed above in Part I, Boyles and Mathur used URCS to estimate operating savings, including certain TE&Y savings which contain a labor component. See Boyles/Mathur VS ¶¶ 20, 39; *id.*, Figure 3 (Train Mile Operating Reductions, URCS Unit Costs, and Estimated

Table 3
Annual Agreement Labor Savings
(\$ Millions, 2023 dollars)

Category	Year 1	Year 2	Year 3	Normal Year
Management ⁴⁰	\$100	\$195	\$260	\$260
Agreement ⁴¹	40	87	131	131
Total	\$140	\$282	\$391	\$391

57. Savings from reductions in personnel consist of avoided salaries and benefits, and they are expected to be offset by approximately \$171.8 million in one-time employee relocation costs, separation payments, and labor protection costs.⁴² These one-time costs are primarily due to relocation of certain NS headquarters positions to Omaha, and separation costs associated with reductions in duplicative positions. For the majority of non-executive positions, the savings will be achieved through retirements and normal attrition, especially in the second and third year after the two companies merge.

III. Savings to Shippers from Truck-to-Rail Diversion

58. The Summary of Benefits also shows projected savings that shippers will realize from diverting traffic from truck to rail. As discussed in the Joint Verified Statement of Kenny Rocker and Ed Elkins and the Verified Statement of David Hunt,

Cost Savings). To avoid double counting, these savings are not included in this estimate.

⁴⁰ See Workpaper “Labor Synergy Summary.xlsx,” Tab “Labor Savings Summary,” Cells J176:M176.

⁴¹ See *id.*, Tab “AgrmtLabor_Summary,” Cells B18:E18.

⁴² See Workpaper, “Synergies Transportation - Operating.xlsx,” Tab “Implementation Expense,” Cell G26.

the merger will provide benefits to potential customers of rail transportation services in lanes served by UP/NS by unlocking new and increased competition with trucks. These customers will benefit from the ability to use lower-cost rail service rather than higher-cost truck service to move their products to market.

59. The savings are considerable: In his Verified Statement, David Hunt of Oliver Wyman projects UP/NS will divert approximately 2.1 million truckloads of traffic to rail. Using the lower cost rail option will save shippers \$3.480 billion in the normal year.⁴³ This figure is based on the aggregate cost differential, calculated using unadjusted 2023 truck and rail rates, between serving the diverted truck-to-rail miles by train versus by truck.

IV. Summary

60. The Summary of Benefits Exhibit shows \$6,335 million of projected annual benefits in 2023 dollars in a normal year following the merger. The \$6,335 million includes \$1,757 million in net revenues from traffic attracted from trucks and other rail carriers, \$965 million in operating efficiencies and cost savings, \$133 million in capital savings, and \$3,480 million in shipper truck-to-rail savings as shown below in Table 4.⁴⁴

⁴³ See Hunt VS § 8.2 (Shipper Cost Benefits from Truck-to-Rail Diversions); Hunt Workpaper “market_shares_enhanced_transearch_full_T2R_vF.sql.”

⁴⁴ See Hunt VS, Exhibit 8-1 (Total diversion revenue estimate); Boyles/Mathur VS, Figure 2 (Incremental Costs of Diverted Traffic); Workpaper “Synergies G&A - Admin.xlsx,” Tab “Summary Tracking Sheet,” Cells H19 and H22; Boyles/Mathur VS, Figure 1; Workpaper “Synergies Transportation - Operating.xlsx,” Tab “Operating Plan Impact,” Cell K26 and K24; Workpaper “Mech_Eng Synergies.xlsx,” Tabs “MECH Op Plan Impact,” Cell I1, and “EN Op Plan Impact,” Cell I1; Workpaper “Synergies Transportation - Operating.xlsx,” Tab “Operating Plan Impact,” Cells K21

Table 4
Benefits from Merger
(\$ Millions, 2023 dollars)

Benefit Component	Normal Year
OPERATING REVENUE BENEFITS	
Revenue Increase from Traffic Gains	\$4,027
Cost of Handling Additional Traffic	(2,270)
Net Operating Revenue Benefits (EBITDA)	\$1,757
OPERATING COST BENEFITS	
G&A/Technology	\$198
Operating (Rail Operations)	111
Operating (Rolling Stock & Engineering)	88
Operating (Op Practices and Op Tech Applications)	77
Operating (Procurement)	100
Personnel (Non-Agreement)	260
Personnel (Agreement)	131
Net Operating Cost Benefits	\$965
CAPITAL EXPENDITURE BENEFITS	
Infrastructure Replacement	\$90
Locomotive & Equipment	3
Technology & Other	40
Net Capital Expenditure Benefits	\$133
SHIPPER TRUCK-TO-RAIL SAVINGS	\$3,480
Total Merger Benefits	\$6,335

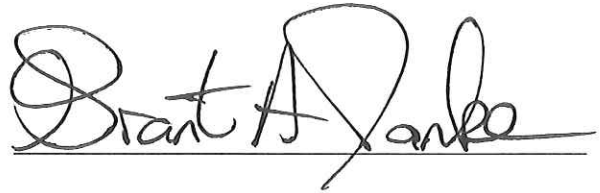
(Numbers may not add due to rounding)

and K33; Workpaper “Mech_Eng Synergies.xlsx,” Tab “WAVE OE Summary,” Cell G29; Workpaper “Labor Synergy Summary.xlsx,” Tabs “Labor Savings Summary,” Cell M176, and “AgrmtLabor_Summary,” Cell E18; Workpaper, “Synergies Transportation - Operating.xlsx,” Tabs “WAVE Capital Summary,” Cell G17, “Autoracks Capital,” Cell H38, and “Tech Capital Synergies,” Cell D55; Hunt Workpaper “market_shares_enhanced_transearch_full_T2R_vF.sql.”

VERIFICATION

I, Grant A. Janke, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this statement.

Executed this 29th day of April, 2026.

A handwritten signature in black ink, reading "Grant A. Janke", written over a horizontal line.