BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 36873

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

CPKC'S COMMENTS ON APPLICATION AND REQUESTS FOR CONDITIONS

VOLUME III OF IX

COMPANY VERIFIED STATEMENTS

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PUBLIC REDACTED VERSION

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VERIFIED STATEMENT OF KEITH CREEL

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VERIFIED STATEMENT OF KEITH CREEL

1. I am Keith Creel, Canadian Pacific Kansas City Limited's Chief Executive Officer. I have been CPKC's CEO since the combination of Canadian Pacific Railway Company ("CP") and Kansas City Southern ("KCS") in 2023 and CP's CEO for six years before that. I joined CP in 2013 as its President and Chief Operating Officer. In 2015, I joined CP's Board of Directors, and on January 31, 2017, I was named President and Chief Executive Officer.

2. I have been a railroader for 34 years. Before joining CP, I was Executive Vice-President and Chief Operating Officer at Canadian National Railway ("CN"). I started my railroad career in Birmingham, AL as an Intermodal Ramp Manager for BN, and later worked on the Illinois Central Railroad ("IC") as a Trainmaster and Director of Corridor Operations before CN's acquisition of IC. I held numerous operating positions at CN, including Senior Vice-President Eastern Region, Senior Vice-President Western Region, and Vice-President of the Prairie Division.

3. I am also a proud veteran of the U.S. Armed Services, having served as a commissioned officer in the U.S. Army, including on active duty in Saudi Arabia during the Persian Gulf War.

4. My three-decade railroad career has taken me from the Southwest to the Northeast United States, into Canada, and, more recently, to leadership of CPKC's Mexico operation. Rising through the operating and management ranks, participating in merger proceedings, and managing the effects of mergers large and small have given me a firsthand understanding of how mergers can—and cannot—strengthen the rail network and advance the American economy. I was on the front lines of the 2014 service meltdown centered on the Chicago gateway, and early in my career I experienced some of the fallout from UP/SP. I lived through Canadian Pacific's PSR transformation—PSR done right—which restored a storied but struggling railroad's ability to reinvest in its network and made it the fastest-growing railroad in North America. I have seen how the right mergers can unlock growth, including CP's acquisition of the Central Maine & Quebec Railway in 2020, CP's combination with KCS in 2023, and CPKC's acquisition of part of the Meridian & Bigbee Railroad ("MNBR") in 2024. I also experienced the unexpected challenges of integrating KCS's U.S. operations into the CP network in 2025. And every day, I experience how a railroad of Union Pacific's size and scope can use its power to distort and undermine competition.

5. I am submitting this brief statement to share my perspectives on the state of the American rail industry at this historic juncture, and to explain why I believe that the Board would make a grave mistake if it approved the proposed combination of Union Pacific and Norfolk Southern. Instead, it is my firm belief that the UP-NS transaction would pose an existential threat to the ability of the U.S. rail network to serve the public interest.

6. I am, of course, here representing the interests of the railroad I lead. The UP-NS merger will not further CPKC's interest, but CPKC's concern does not stem from any fear of competition as Applicants have sometimes suggested. CPKC is never afraid to compete against much larger railroads. In fact, prior to the merger, Canadian Pacific and Kansas City Southern were not only able to compete against much larger railroads, but also to grow our respective networks, win traffic, and improve safety performance. Canadian Pacific led the industry with the lowest FRA train accident frequency for over a dozen consecutive years, and we continue to do so as a combined network. Competing against larger railroads is in our DNA and our track record can be seen more recently with the CP/KCS combination and CPKC's acquisition of part of MNBR, which created a new interline connection with CSXT. We have launched innovative new services (both on a single-line and interline basis) to compete head-to-head with UP and other larger Class Is. And we will not stop doing that, merger or no merger.

7. CPKC's concern is that the UP-NS merger, instead of being a catalyst for competition, will concentrate more market power in UP's hands, making it harder for CPKC and other railroads to attract customers and provide transportation services that meet their needs. Throughout my career, I have witnessed firsthand how UP already acts in the marketplace, wielding its existing power to thwart competition. A further expanded transcontinental UP will have much greater scope and scale, allowing it to wield much greater power to squelch competition by controlling access and using bundled offerings to lock in customers and foreclose opportunities for competing railroads—ultimately forcing the rest of the industry down the path of more mergers, and, in time, perhaps even more regulation, in an effort to try to overcome UP's dominance. This path is not good for CPKC, but it is even worse for the public interest and the future of U.S. railroading.

8. My core belief is that the proposed transaction, unlike any in history, will fundamentally transform the industry forever, and not for the better. It is also entirely unnecessary. The touted benefits are questionable while the risk of potential harm is both significant and very real. There will be no turning back from that transformation if (and I would suggest it is only a matter of when) its adverse consequences for customers, the rail network, the economy, and the public interest are borne out. The rail network will become less competitive and as a result less capable of meeting America's needs. The currently well-balanced interline rail network as we know it will be gone forever. The U.S. rail network will be exposed to a greater risk of system failure when it is increasingly dependent on how well UP is running. And there will be no realistic or viable regulatory solution that could restore or recreate the benefits of the current industry structure. This much I believe is undeniable.

9. The timeline set forth in Figure 1 below graphically portrays what the Board is being asked to decide. American railroading will celebrate its 200th birthday in 2027. Approving the UP-NS merger proposal will fundamentally and irretrievably alter the course of American railroading for at least the next 200 years. It will eliminate a central feature of the interconnected rail network that has served this country well and put in its place an industry dominated by one huge railroad that will be too big to handle, too big to manage, too big to fail, and, I submit, too big to regulate effectively. Too many decisions about the future of U.S. railroading—whether it will have the resources it needs to respond to shifts in traffic demand, what customers it invests in to serve, how it prices its services, how it innovates to meet new challenges, and so on—will be centered in one decisionmaker in an office in Omaha.

10. The resourcing and other decisions centered in Omaha will determine whether the entire rail network weathers future disruptions, or whether it melts down like UP did in 1998 and

again as recently as 2022-23. It is hardly reassuring that, at the Board's 2024 growth hearing, UP's own Executive Vice President for Marketing and Sales, Kenny Rocker, touted as evidence of improved service that UP was "averaging less than one embargo per week." At Chicago and across the network, UP-NS will pose existential risks to the rail service upon which the U.S. economy depends. We have seen how service disruptions at Chicago propagate across the entire network, yet UP-NS will expose more of the network to disruptions that UP caused by resourcing or other bad decisions, especially with UP's agreement to operate across CN's EJ&E route in addition to the center of the Chicago terminal.

11. The UP-NS proposal is not a trial balloon that can be undone if it doesn't deliver. Whether to let UP and NS merge is literally the most consequential decision the U.S. rail network will have faced since Congress opted to return the railroads to private control after World War I.

FIGURE 1
A DECISION APPROVING THIS MERGER WILL BE FOREVER



12. As a consequence, the Board is called upon in this proceeding to exercise its extraordinary power that Congress gave it to act as the guardian of the public interest. UP's and NS's shareholders, boards of directors, and senior executives see huge profits flowing from this deal, but Congress has given the Board the authority to view the transaction through a different and broader lens: is this the right transaction, at the right time, for the U.S. rail network and the

many stakeholders it serves? The Board's role here is a vital one: To assure that this transaction is not allowed to proceed unless it is clearly established that it will further the *public* interest. I submit that the facts, when thoroughly examined, will show that Applicants cannot come close to bearing that burden.

13. The Board should begin by examining the state of the American rail industry today. Applicants speak out of both sides of their mouths on this issue, but they are consistent in placing their focus on themselves rather than on the public interest. On the one hand, they say they are proceeding here from positions of "strength." They are financially more profitable than ever and their networks are running reasonably well. What this tells me is that, were UP and NS to remain independent railroads, they would have ample financial and other resources to make the investments in their separate networks necessary to support growth, and they would have all of the capabilities necessary to do a better job striving to achieve that goal if they chose to pursue it.

14. At the same time, however, these railroads also claim that American railroading is broken, that growth is elusive, and that the one obstacle is that they have not yet merged. Bridging the Mid-Continent gateways with single-line services, they claim, is the one secret ingredient that U.S. railroading needs to build a healthy rail network.

15. With all due respect to Applicants' messaging, this self-serving story does not hang together. My 34 years of railroading teaches me that the U.S. freight rail network is not broken. In reality, it is the envy of the world. The interconnected interline network works well. In the East-West lanes most affected by the UP-NS merger, that network has been proven capable of delivering quality interline services to customers, while also giving rail customers the extraordinary competitive benefit of independent railroads with which to bargain on both sides of

the country. The ability to choose among multiple rail options on one side or another of an efficient gateway is a huge source of commercial leverage that harnesses the power of competition to ensure that the services railroads provide, and the terms they offer customers, are competitive.

16. To be sure, the U.S. rail network is not perfect. There is always room for improvement. Like CPKC, railroads can work to develop services that better meet customers' needs, commit resources to improve service, and invest for growth. The proposed merger of UP and NS is not necessary to improve freight rail service and spur traffic growth. A merger like UP-NS is not the path to making American railroading better and is not a path that is needed to support the kind of growth that Applicants claim to be seeking.

17. So, what about Applicants' claimed inability to grow without a merger? I can attest from CPKC's recent efforts that growing rail traffic is hard, and getting customers to switch from truck to rail is even harder. CPKC has extensive firsthand experience in this area. Since 2023, CPKC has stood up two entirely new rail services with the aim of converting truck traffic to rail front of mind. One, our Mexico-Midwest Express (or "MMX") service between Mexico and Chicago, required the CP/KCS merger to initiate because of the lack of any pre-existing CP-KCS interline intermodal service and the extensive single-line competition that already existed in this corridor. Our commitment to MMX meant sticking with the service as it grew from small trains to much bigger trains, giving customers time to recognize the value of CPKC's service and trust that it would be there for them over the long run. As President and CEO, I had to weigh whether to sustain the service through its infancy and give it time to grow. As I like to say, CPKC is three or four years into a forever story, and growth inevitably takes time.

18. The other service, our Southeast-Mexico Express (or "SMX") service between Mexico and the Southeast, is a joint CPKC-CSXT interline service via the new Myrtlewood, Alabama gateway. SMX demonstrates that independent railroads can work together to develop new services and attract traffic to rail without merging.

19. I know from both of these experiences that the critical ingredient underlying success is not a "merger," but steadfast dedication to the mission of earning and maintaining customers' trust—showing both that the rail option can meet their needs reliably and over the long run, and that rail pricing will be competitive and fair. This is especially so when asking customers to switch away from transportation providers (trucks) that have been meeting their needs for decades.

20. In the East-West lanes that Applicants claim their merger will address, UP and NS already have tremendous advantages that were not available to CP and KCS in 2023 when those railroads combined to become CPKC. They already participate in dense interline traffic flows, and they are not already struggling to compete with much larger single-line rivals, as CP and KCS were. CPKC's SMX experience (and many other experiences, including our participation in transcontinental traffic via the Meridian Speedway) shows that a merger of the scale and scope of UP-NS is not necessary for railroads to improve their ability to attract new traffic to the rail network through interline initiatives. CPKC's experience with its MMX offering teaches a different lesson: that a merger is not some kind of a secret weapon that will magically unlock traffic growth and avoid the need for all the hard work that must underpin any viable growth strategy.

21. When I consider what UP and NS are saying about the obstacles to growth they claim only a merger can overcome, I see them trying to fool themselves and fool the public.

They should look in the mirror first and try to solve the problems that have gotten in the way of the growth they claim to aspire to—if such growth is even their true goal. Consider just the recent past.

22. UP and NS appear to have decided in early 2025 to merge and to begin advocating to the Board that a merger of their two companies is the best hope for them to achieve profitable traffic growth. I submit that the timeline leading up to 2025 tells a very different story.

23. As recently as 2023, which Applicants are claiming is the base year for the Board's analysis of whether the transaction is in the public interest, UP and NS both were barely recovering from extraordinary self-inflicted wounds. Their implementations of what they call "PSR"—UP's Unified Plan 2020 and NS's TOP21—differed from the growth-minded version that CPKC recognizes. These implementations led them to shrink their service offerings, jam long trains across infrastructure that was not ready for them, and try to operate with resource margins that were too thin to accommodate volume fluctuations without disruption. I recall testifying at the CP-KCS merger hearing in 2022 about the mismatch between UP's long trains and UP's Houston infrastructure that had not been expanded to accommodate those trains. As part of UP's and NS's operating transformations, both railroads also pursued network "optimizations" and downgraded or eliminated interline services that they did not regard as a perfect fit with their networks. Then we saw the dire consequences with the resurgence of traffic during the 2021 and 2022 COVID recovery. Both railroads were basket cases of unreliable service. On NS's network those problems were magnified by the disruptions that followed the East Palestine event. The lesson to shippers was clear: you run huge risks if you put your faith in UP or NS transportation offerings.

24. *Barely two years later*, after some arguable progress improving their network operations, UP and NS are telling the Board and the public that the definitive verdict is already in: growth is impossible without *this merger*. That claim does not stand up to scrutiny. I do not doubt that these railroads see massive profit opportunities for their investors if they can expand their scope and scale by becoming the first U.S. transcontinental railroad, but this is not growth for the industry. But they cannot expect anyone to believe that, just a few years after demonstrating why transportation customers should think twice before choosing UP or NS services, a merger is the only solution that could serve the public interest.

25. My question for these railroads—and a critical one for the Board to ask as well—is *whether they have really tried to grow*. Have they built a multi-year record of reliable service that is the critical foundation for any effort to persuade customers to trust rail options over the always-reliable and available truck alternative? Have they re-examined their focus on "OR" and their relentless drumbeat of "above-inflation" price maximization that UP's executives talk about every quarter on public conference calls with investors? What message are prospective rail customers to take from those UP comments other than that, if they choose UP, they will eventually be gouged? Is it any wonder that UP and NS might have found it hard to grow via these strategies?

26. Before the Board abandons the current rail structure in favor of one that reduces shipper options and entrenches UP market power, it should expect much more. It should demand hard proof that UP and NS have really pulled out all the stops, but we already know that there is no such proof because UP and NS have not done that work. The Board should also ask itself whether a merger will do anything to change these leopards' spots, even if in theory it might offer some pathways to improved single-line services: why will UP's and NS's pricing strategies

and resourcing decisions and service levels be any better when they have the additional market power that would come with a transcontinental network? The hard facts do not show that a merger is needed to solve any actual defect in America's rail network or that a merger of these two large railroads would make things better rather than worse. To the contrary, a Transcon UP-NS would face less competitive discipline and likely double down on its minimize-cost and maximize-price strategy.

27. One theme in Applicants' presentation to the Board has been that the CP/KCS transaction shows how a merger creating new single-line services enhances competition and can serve the public interest. I know a thing or two about the CP/KCS combination, and I find Applicants' new admiration for our transaction both flattering and hypocritical given their staunch opposition to the much smaller, North-South CP-KCS transaction during our STB review proceeding.

28. But facts are facts, and CP-KCS *was* in the public interest. We agree on that much. But are Applicants right about the implications of CP/KCS for their transaction? No, they are not. Applicants have drawn all the wrong lessons from our combination. To cite just a few of the ways that the Board's approval of CP/KCS does not support, and in fact undermines, the case for UP-NS:

- CP/KCS was a transaction that combined the two smallest Class I railroads, both of which operated in lanes dominated by larger Class Is that already offered single-line service. Not so here. UP and NS are two of the largest Class I railroads and there is no need for them to merge to create the density necessary to support investment and execution necessary to support high-quality interline rail options like UP, NS, and CPKC jointly provide via the Meridian Speedway.

- I have often said that single-line service can have advantages relative to interline service. I believe that and there is no better illustration than CP-KCS, but to a large extent that is because CP-KCS unlocked services that would not have existed at all. CP and KCS were never going to start up run-through train service between Mexico and Chicago that could have been nearly as effective as CPKC's MMX service. But UP and NS as independent railroads very much could start up the kinds of run-through intermodal trains they say they plan if allowed to merge.
- The combination of CP and KCS sparked competitive responses by our single-line competitors, especially UP in Mexico-Midwest corridors. This shows me that those rivals had grown somewhat complacent in the absence of the competitive catalyst CPKC provided. What will keep UP from being complacent after gobbling up NS's network? UP will never again need to fear any disruptive competitive force, because its size and scope will allow it to extinguish any such potential.
- CPKC was never going to reduce any of the competitive options available to rail customers. It could only succeed by giving them new options that were better than what BNSF, UP and others were already offering. Post-merger UP-NS, by contrast, will have massive new leverage to push rivals aside and extract more from customers.
- Most importantly, the Board's decision approving CP/KCS was a sound judgment promising very high rewards at very low risk to the rail network and the public interest. Had CP/KCS failed to achieve its full potential, the fundamental structure of the interconnected U.S. rail network would have remained intact.

That is not the case with UP-NS. If (and, in my view, when) UP-NS fails to achieve its claimed potential, customer options will be forever reduced, systemic service risks will forever be increased, and no amount of regulation will be able to replicate what will permanently have been lost.

29. Thus far I have been addressing the consequences of a UP-NS merger alone, but the Board should understand that if UP-NS goes forward a further wave of Class I consolidation will follow, probably swiftly. James Clements, CPKC's EVP - Strategic Planning and Corporate Services, outlines in greater detail how CPKC perceives the imperative of further consolidation in the event a gigantic UP-NS network were allowed to form. I will emphasize just two high-level points:

30. First, Applicants want the Board to believe that downstream consolidation would be proof that their merger is good for shippers and good for competition. I disagree. CPKC does not fear competition with any railroad on the merits, whether or not their network has greater reach than CPKC's. Our track record of going hard after traffic opportunities, with both single-line and interline offerings that compete head to head with UP, should leave no doubt about that. But UP-NS would not gain traffic solely on the merits—it would be in a position to use its scope and market power to force market outcomes, and the only answer to that dilemma for CPKC may be to become part of a network with broader reach of its own, so that it is less vulnerable to exploitative and anticompetitive behaviors by a Transcon UP-NS.

31. Second, although we cannot know precisely what the end-game structure of the U.S. rail industry will be in five, ten, or 100 years, it is plain that none of the outcomes likely to flow from a UP-NS combination would be good for shippers or the public interest. If nothing happens after UP and NS combine, the country will be left with a super-dominant UP-NS that

leaves decisionmakers in Omaha with far too much control over how the rail network evolves, how it serves customers' needs, and how it interacts with connecting railroads. The world of interline optionality across multiple Mid-Continent gateways will be gone.

32. If there were further consolidation, those outcomes would be cemented rather than magically rectified. There would be *fewer* sources of innovation and disruption, fewer options for rail customers, and *less* ability for the Board (or Congress or anyone else) to regulate the industry in a manner that restores competition and safeguards outcomes for the most vulnerable shippers.

33. Applicants have, bizarrely in my opinion, suggested that a transcontinental duopoly would be a good thing because Canada has one. Mr. Vena, who was raised in Canada, has even publicly said that it would be desirable for the United States to adopt a rail regulatory scheme that is more like Canada's. Speaking from intimate experience with the rail networks and regulatory regimes of both nations, I disagree strongly.

34. Mr. Vena ought to understand how fundamentally different the Canadian regulatory system is from the deregulatory approach Congress took with the Staggers Act and other enactments of the 1970s and 1980s. Mr. Clements explains many of those differences in more detail. From my perspective, Mr. Vena is right about one thing: the United States would need a regulatory regime much more like Canada's if UP and NS were allowed to merge, so that UP-NS's size, scope, and market power did not extinguish shippers' competitive options and bargaining leverage. Canada gives shippers a broader set of tools to obtain access to competing railroads, challenge rates, and address service failures. Mr. Vena's comparison overlooks those protections and assumes that because Canada has two major railroads, two should also suffice for the United States. That assumption ignores the fact that Canada's roughly 40 million people are

concentrated largely near its southern border, while the United States has a population nearly nine times larger spread across a much broader geographic area. The transition Mr. Vena proposes would weaken the U.S. rail network, increase its dependence on regulation to protect shippers, and leave it more vulnerable to decline.

35. Applicants have also tried to frame their proposed merger as a transaction that "provides an opportunity to fully realize President Lincoln's vision for a united transcontinental railroad."[1] The opposite is true. President Lincoln envisioned a transcontinental *railroad line* connecting Council Bluffs, Iowa with California, but not a single company in control of that line. For more than 100 years after Union Pacific and Central Pacific met in Promontory, Utah, the two railroads interchanged at the Ogden gateway. The Pacific Railway Act that implemented President Lincoln's vision expressly contemplated the "transcontinental" railroad connecting at Council Bluffs with any and all independent railroads that might build to that point.[2] With the *UP/CNW* transaction, that point of connection migrated eastward to the Chicago gateway, but President Lincoln's and Congress' vision of a U.S. railroad network that is *not* dominated by two colossal enterprises has remained intact. Contrary to Applicants' assertion, the UP-NS transaction threatens to destroy President Lincoln's vision, not realize it. The Board should not let that happen.

36. Finally, I cannot close without addressing a large elephant in the room. As the Board may know, I have been a vocal critic of the proposed transaction. At every step of the

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[1] Rev. App. 1-15.

[2] The U.S. Supreme Court made this clear in 1875 when it reviewed the history of the Act. *Union Pacific R.R.* v. *Hall*, 91 U.S. 343, 345 (1875) ("It was doubtless intended to render possible a connection with any railroad that might thereafter be constructed from the western boundary of Iowa eastward.").

way I have expressed my faith in the integrity of the Board's review process, and I have encouraged *all stakeholders*, whatever their views, to participate in that process and speak up so that the Board has a full record upon which to base its decision. CPKC benefitted from a fair and open process in 2022 and 2023, and we know how hard the Board and Board Staff will work to make the right decision on the record facts here.

37. It is against that backdrop that I express my astonishment at the approach UP has taken towards this proceeding. UP's aggressive and cavalier attitude can be seen in the opaqueness of their application and supporting materials and the defensiveness and dismissiveness of many of their responses to Board and discovery inquiries. But even more than that, over and over in Jim Vena's public remarks there is a palpable arrogance that UP should be entitled to get its way. I have seen the public comments of Mr. Vena overtly threatening rail customers with retaliation if they do not support his merger, while UP's Executive Vice President for Marketing and Sales Kenny Rocker simultaneously claims that silence should not be taken as opposition. I have also heard Mr. Rocker claim that some number of customers expressed fear of retaliation by CPKC if they *supported* the UP-NS merger.

38. I want to be very clear about two things. First, Mr. Vena's remarks are unacceptable. If Mr. Vena's remarks or other messaging by UP or NS have discouraged participation in this proceeding, something we may never know, then approval of this transaction could never reflect a full and fair inquiry into the public interest implications of the transaction. Equally important is what Mr. Vena's remarks say about the culture of UP and what the public should expect if UP is given greater control of the U.S. rail network. Mr. Vena's threats cannot be squared with the responsibility that UP and every other common carrier have to act as a steward of the public interest, and they are even more troubling given UP's insistence that it be

allowed to massively expand its reach. The Board should consider with care whether it could under any circumstances reward such a company by approving a merger with such momentous consequences for the future of American railroading.

39. Second, Mr. Rocker's allegations implying that CPKC threatened retaliation against customers who support the merger are false. CPKC has not threatened anyone with retaliation, period, much less for any position that any customer, or anyone else, might take regarding the UP-NS transaction, no matter how favorable to Applicants. If any credible allegation of such a threat by a CPKC officer or employee came to my attention, there would be swift, certain, and appropriately severe consequences. I feel strongly that the Board's decision should be based on all the facts, and all the opinions, from stakeholders across the spectrum of viewpoints.

40. I am confident that when the facts are fully vetted, truth will prevail and approval of the UP-NS merger will be understood to be the wrong decision for the future of the American rail network, the American economy, and the public interest. I also understand that for the public to have confidence that whatever decision the Board makes is one rooted in the facts and the law, there needs to be confidence in the integrity of the process. I speak for everyone at CPKC in saying that we are committed to safeguarding that integrity fiercely.

41. I appreciate the attention and hard work of the Board and Board Staff on this vitally important matter.

VERIFICATION

I, Keith Creel, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this statement.

Executed on this 18th day of November, 2026.



Keith Creel

PUBLIC REDACTED VERSION

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VERIFIED STATEMENT OF JAMES CLEMENTS

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VERIFIED STATEMENT OF JAMES CLEMENTS

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VERIFIED STATEMENT OF JAMES CLEMENTS

I. WITNESS BACKGROUND

1. I am James Clements, Canadian Pacific Kansas City Limited's Executive Vice-President Strategic Planning & Corporate Services, a position I have held since May 2024. In that role, my responsibilities include CPKC's strategic government relations and communications functions. I also lead CPKC's ongoing multi-year integration and change-management efforts and operations technology. I have more than 30 years of experience with Canadian Pacific and CPKC, which has given me extensive familiarity with CPKC's customers, processes, and systems.

2. Prior to my current role, I served as Canadian Pacific's Senior Vice President of Strategic Planning and Technology Transformation beginning in September 2019, and before that as Vice-President Strategic Planning and Transportation Services beginning in 2014. My earlier experience and leadership roles span joint-facilities agreements, car management, finance, logistics, grain marketing and sales in both Canada and the United States, and marketing and sales responsibilities for other lines of business. I have also been closely involved in CPKC's work with the Association of American Railroads ("AAR") and its committees, which has given me familiarity with the industry rules, standards, and shared systems that support the interconnected rail network.

3. One of my principal recent responsibilities has been the combination of Canadian Pacific and Kansas City Southern. I led CP-KCS integration planning and, when the railroads combined to form CPKC on April 14, 2023, became Executive Vice-President of Strategic Planning and Technology Transformation on CPKC's executive leadership team. At that time,

my responsibilities included strategic network issues, Network Service Centre operations, and Information Services. The integration was planned from the outset as a multi-year undertaking.

4. Since the combination, I have continued to lead CPKC's multi-year integration and change-management efforts. Through that work, I have seen firsthand that integrating two Class I railroads is not a single event; it requires sustained planning, sequencing, and change management across business functions. That experience provides the foundation for my opinions below concerning the complexity, execution risks, and customer-service implications of the much larger combination proposed by UP and NS.

5. I submit this statement to explain why, from my perspective in strategic planning and railroad integration, the proposed UP-NS merger presents extraordinary risks for the U.S. rail network that outweigh its public benefits. I address the possible long-term industry outcomes, the systemic service risks and practical challenges of integration, the limits of relying on regulation to replace competition, the differences between Canadian and U.S. railroading, and the need to distinguish Applicants' private cost savings from benefits to shippers and the public.

II. THE BOARD SHOULD CONSIDER CAREFULLY THE RISK-REWARD CALCULUS PUT FORWARD BY APPLICANTS

6. From my vantage as someone who has considered and executed a range of strategic transactions in the railroad industry, I begin my assessment of whether the proposed transaction serves the public interest by asking a simple question: do the short- and long-run benefits of the transaction *for the public* outweigh the short- and long-run costs and risks posed by the transaction? I believe this is the right question for the Board to ask as well, and I also believe that a thoughtful answer to the question is no. The risks outweigh the rewards, especially when considering that: (a) only benefits that pass through to the public rather than Applicants

count in this calculus; (b) benefits that could be achieved via means other than a merger ought not to count toward "merger-related" benefits; and (c) a heavy burden should be placed on Applicants to prove that the balance of benefits favors their transaction rather than on the public to prove the harms or the absence of benefits. I believe each of these factors is reflected in the Board's 2001 Major Merger Rules.

7. Other CPKC witnesses address many of the individual elements of this calculus in more detail, but I wanted to draw from my strategic decision-making perspective to call attention to several important considerations that I believe show that the best path forward for the Board would be to turn down the UP-NS application outright and send these railroads back to the drawing board to pursue their claimed public interest-minded objectives—like growth in modal share—in ways that do not permanently alter the structure of the American railroad industry. In my view, the proposed UP-NS merger will be profitable for the Applicant railroads, but from the public interest perspective it is *at very best* a bet-the-ranch gamble and at worst—and in my view the most likely outcome—an utter catastrophe for the future of the U.S. rail network.

8. I believe the decision whether the UP-NS merger should be approved is an easy one when one considers the following key decisional factors:

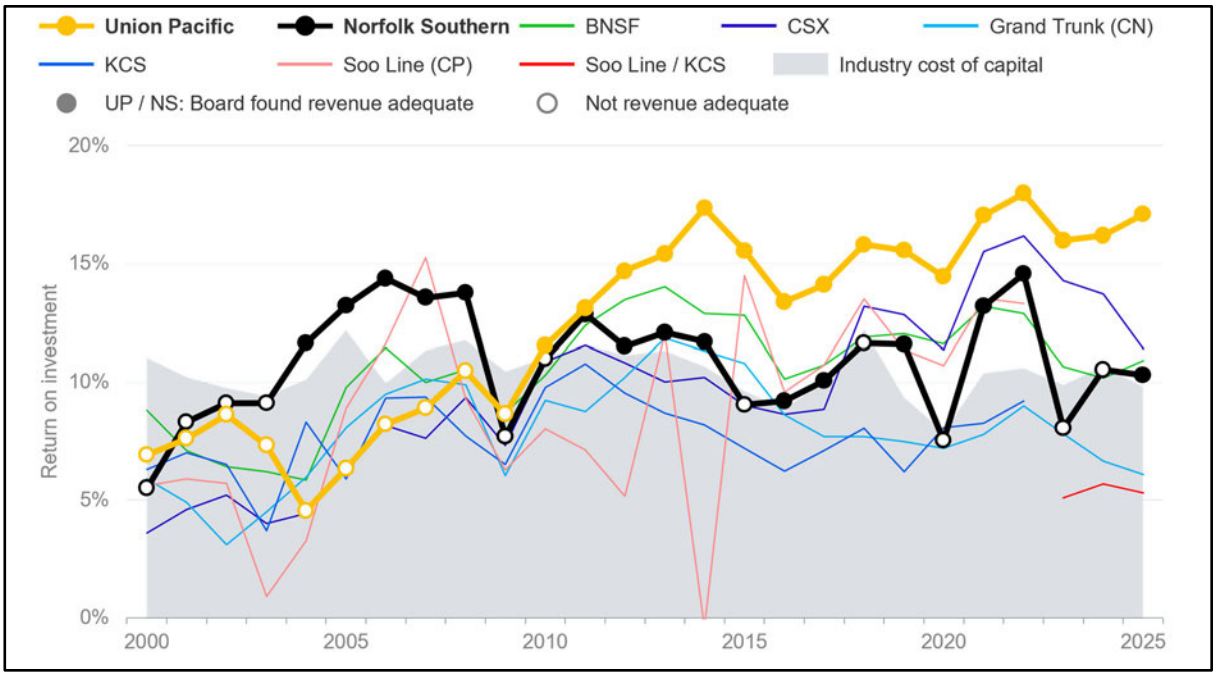
- The *scope* of the transaction and the fact that it would fundamentally transform all of U.S. railroading;
- The *permanence* of the transformation, from which there would be no escape if things went poorly;
- The lack of any compelling need to "fix" today's industry structure;
- The systemic risks to the network were its functioning made so dependent on the decisions by any one carrier; and

- The inability of "regulation" in any form to preserve the benefits for shippers and the public of today's structure.

9. I start by pointing out the scope of the proposed transaction. This is not a combination the effects of which will be isolated to one region or rail corridor. It will literally transform the entire landscape of U.S. railroading. So the question for the Board is not a narrow one about which individual benefits and harms might materialize. Instead, the central question is whether transforming the rail industry in the way Applicants propose will yield a future rail network—across the span of decades or longer—that serves the public interest as well as the current structure could if left in place.

10. Answering that question should start by evaluating the state of the U.S. rail industry *without* the proposed UP-NS transaction. Is it broken, such that only this transaction can provide a fix? Plainly not. The Class I railroads are financially healthy and readily able to invest in their physical plant, unlike the dark days of the 1980s. From a regulatory standpoint, the Board found both railroads to be revenue adequate in 2025. NS was the first Class I to be found revenue adequate, in 2004, and it was found revenue adequate in 14 of the next 21 years, including 2025. UP has been found revenue adequate in every year since 2010, as shown in Figure 1 below, with UP shown in dark yellow and NS in black.

FIGURE 1
BOARD REVENUE ADEQUACY DETERMINATIONS 2000 TO PRESENT[1]



11. UP and NS also have proven themselves capable of providing highly efficient and cost-effective services across a wide array of transportation offerings. They have also proven capable of offering—both on a single-line basis and on an interline basis—the kind of truck-like speeds and reliability necessary to compete head-to-head with over-the-road trucking. Ironically, Applicants tap one of those interline services—on the three-carrier transcontinental corridor via the Meridian Speedway—as a key source of their claimed post-merger intermodal growth. And they have shown how working with shortlines—over one or more interchanges—can support robust carload growth.

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[1] Surface Transportation Board, *Railroad Revenue Adequacy Based on Individual Railroad's Return on Investment*, Ex Parte No. 552 (2000–2025), https://www.stb.gov/wp-content/uploads/Revenue-Adequacy-Chart-2025.pdf.

12. To be sure, the Class I railroads have not fully achieved the potential of today's basic network structure. The past decade has included major operating changes and a series of service disruptions, including at UP and NS. Those challenges have been compounded by decisions to maintain too little labor and other resources, emphasize margins over volume growth, and simplify networks by eliminating service offerings. My criticism is not of Precision Scheduled Railroading as we understand and practice it at CPKC; properly implemented, that approach has made our railroad better. The issue is whether operating changes are executed with the resources, discipline, and customer focus needed to provide reliable service and support growth. A merger does not resolve those underlying issues and in fact could make them worse as the newly combined company chases cost synergies to pay for the merger.

13. I cannot reliably predict what UP and NS would have done had they not chosen to pursue their merger, nor do I know precisely what they would do were their proposal to be rejected by the Board. But if UP and NS believe that the traffic growth potential is even a fraction of what they have claimed their merger will achieve, they would have strong incentives to pursue that growth as separate companies. A focused effort to maintain steady and reliable service, to moderate the pursuit of price increases as the primary pathway to growth, and to invest in innovative new services that harness technology to improve shippers' transportation experiences would go a long way toward demonstrating the real potential of today's rail network structure. Without a record showing what can be achieved, and what cannot, the Board should not gamble with the future of the industry on the mere chance that transcontinental U.S. railroads are the only way to unlock the full potential of America's rail network.

14. The stakes are extraordinary. Were UP-NS to be approved and consummated, there would be no turning back. The transformation of the industry would be permanent.

Oversight would last a few years (or even decades); the structural change worked by the merger would continue forever. As the timeline set forth in Mr. Creel's Verified Statement (reproduced as Figure 2 below) illustrates well, the consequences of this merger will not be limited to a few years of Applicants experimenting with their new single-line routes. It will be for centuries, if not forever.

FIGURE 2
A DECISION APPROVING THIS MERGER WILL BE FOREVER



15. In particular, one of the defining features of American railroading—shippers' choice about how to pair one western railroad with one eastern railroad for East-West traffic flows crossing the Mid-Continent gateways—would become a matter of Board regulation rather than the interplay of market forces with each carrier incentivized to support shippers' routing choices. That goes away on Day 1 if UP and NS are a single decisionmaker deciding in Omaha what is best for UP.

16. The Board has compelling evidence from UP itself of the long-term consequences for the evolution of the rail network that arise from investment decisions made by a railroad focused on its own single-line services. In 2016, UP filed extensive testimony in Docket Ex Parte No. 711 opposing proposals to expand the availability of reciprocal switching. Among the key points emphasized by UP was the massive investment UP had made in the three decades

since its 1982 UP/MP/WP merger to support "the goal of providing single-line service."[2] UP argued that those investments had reconfigured UP's network in a way that no longer could support the interchange activity that would be required by additional reciprocal switching. As UP witness Haley explained:

> We aligned our capital spending with our basic operating strategy of concentrating traffic where possible on higher-capacity, higher-density corridors. We developed train plans and car blocking plans so traffic can bypass yards, reducing time-consuming interchanges. We removed or downsized yards we no longer needed, while at the same time we invested in modernizing and increasing the productivity of yards and terminal facilities that now handle increased volumes of traffic.[3]

17. As a consequence of these shifts in investment priorities over the long run, UP argued that the interchanges required by reciprocal switching "would severely undermine the efficient single-line service we have developed over the last several decades."[4] UP supplied the Board with a stunning map showing the extraordinary elimination of yard facilities across the UP network since 1980, which I reproduce below as Figure 3.[5]

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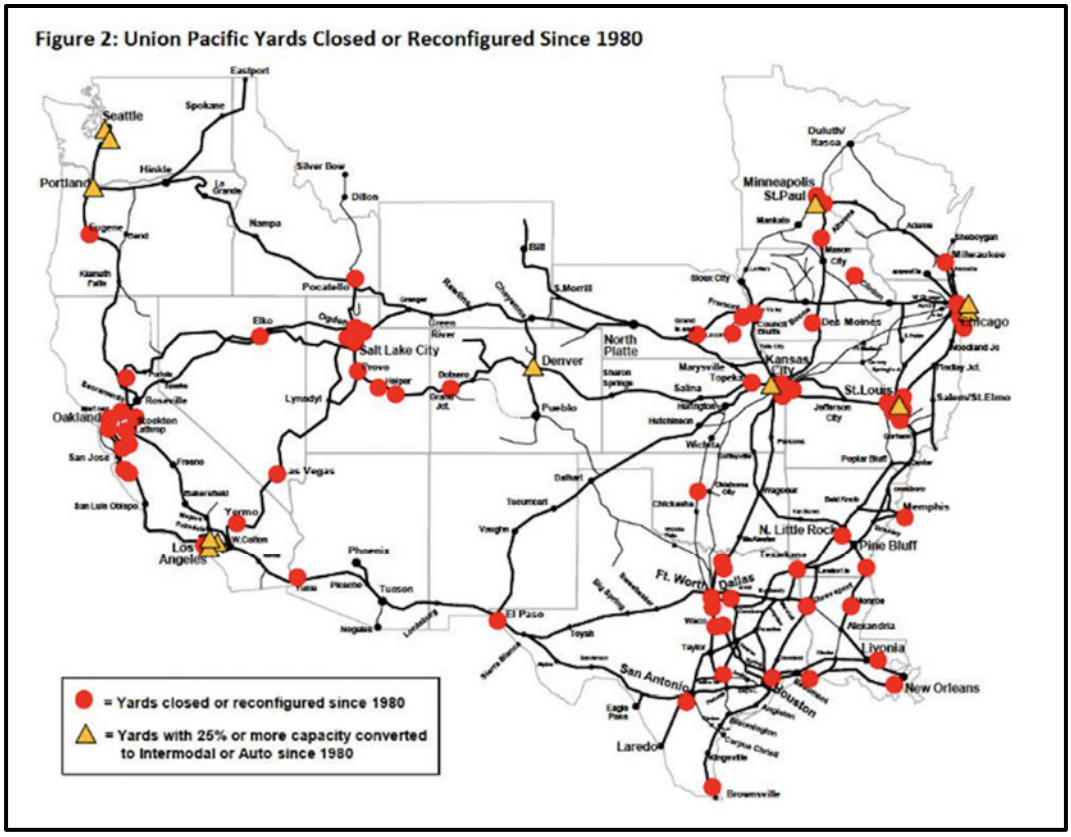
[2] *Reciprocal Switching*, Ex Parte No. 711 (Sub-No. 1), Opening Comments and Evidence of UP (filed Oct. 26, 2016), at 14-18 (excerpts are Exhibit 1 hereto).

[3] *Id.*, Haley V.S. at 2 (Exhibit 1).

[4] *Id.*, Comments at 18 (Exhibit 1).

[5] UP described this map as showing "how Union Pacific eliminated or scaled back en route yards that were no longer needed because shipments could move over longer distances without switching. At many more locations, Union Pacific, BNSF, and their predecessors have removed tracks at junctions where interchange with the other railroad was no longer required or no longer efficient. Since 1989, for example, BNSF and Union Pacific have eliminated approximately 53 interchange locations between the two railroads, and KCS and Union Pacific have eliminated at least seven." *Id*. at 15 (Exhibit 1).

FIGURE 3
UP GRAPHIC SHOWING DISINVESTMENT IN CAPABILITIES SUPPORTING INTERLINE TRAFFIC[6]



18. It is not hard to see the parallels presented by UP's current merger proposal. The long-run consequences of UP's acquisition of NS would be a deemphasis by UP of investments supporting interchange at the Mid-Continent gateways or elsewhere, and a claim—like the one UP articulated in 2016 in Ex Parte No. 711—that evolution meant that UP no longer had the wherewithal (or legal obligation) to support efficient interchange with BNSF, CSXT, CPKC, and others except in those narrow circumstances where it suited UP's interest to do so. UP's own description of its capital-budgeting process reinforces this concern: it evaluates proposed

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[6] *Id.* at 16 (Exhibit 1).

investments based on the expected revenue growth and operating savings they would generate for UP. After the merger, that approach could favor investments supporting UP's single-line routes over those preserving efficient interchange with competing carriers.[7]

19. This should come as no surprise. In 2001, UP's central position on the impact of further Class I consolidation was that it would inevitably end the system of interline railroading as we know it. UP wrote:

> The important public policy questions in the next major Class I merger proceeding will focus on whether a North American railroad duopoly is in the public interest. The Board will choose between a future in which two huge transcontinental systems *develop single-line services in isolation from each other* and a future in which all remaining railroads strive to develop more efficient services over remaining interline routes. This is *an important choice that can only be made once*, because mergers are likely to be permanent.[8]

20. The Board also must consider how difficult it would be to rely on conditions over the long run. The Applicants themselves implicitly acknowledge this with the limited timeframe of the very narrow undertakings they offer for gateway protection. If projected growth is the reason to accept the risks of this merger, the Board would need to ask how it could assure that the growth and the associated public benefits actually materialize, and are maintained for decades and centuries, not just during a brief oversight period. No matter what the Board might do, measures to preserve access on paper, keep gateways open economically and practically, prescribe "competitive" rates, or monitor service do not recreate an independent railroad's

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7 *Id.*, Panzer V.S. at 2-4 (Exhibit 1).

8 *Major Rail Consolidation Procedures*, Ex Parte No. 582 (Sub-No. 1), Union Pacific's Reply Comments on Proposed Merger Rules (filed Dec. 18, 2000), at 8 (emphases added) (excerpts are Exhibit 2 hereto).

commercial incentives. Each brings questions of implementation and enforcement across a changing network.

21. Likewise, consider the systemic risks to the network were any one company—based in Omaha or elsewhere—to hold so much sway over how well the rail network functions to meet the needs of customers and the broader economy. Already today, decisions about resourcing and what business to pursue that are made by UP in Omaha or NS in Atlanta can have massive consequences for the proper functioning of the network and whether it meets customer needs. The Board need only remember the pain inflicted by UP's 1000+ embargoes during 2022, NS's service failures during the same time frame, or decisions by both railroads to de-market certain traffic in pursuit of network simplifications. Were UP making those decisions for a single carrier spanning the whole United States, the consequences would be magnified many-fold. A service meltdown on UP could cripple the economy, with little recourse.

22. The Board should not have confidence that post-merger regulation of UP could come close to achieving what market forces accomplish today, either in terms of safeguarding service levels or protecting shippers from the exercise of market power. Whether that regulation were based on the Board's backdrop of economic regulation, on merger conditions, or even on concrete contractual obligations subject to binding arbitration, CPKC's experience (as recounted by Mr. Gameiro) shows how difficult it would be to hold UP to its promises.

23. When these factors are considered, I believe the path to a decision is crystal clear. The balance of risks and rewards tips sharply towards disapproving this merger proposal.

III. UP-NS WOULD PRODUCE HARMFUL OUTCOMES REGARDLESS OF WHAT SHAPE DOWNSTREAM CONSOLIDATION TAKES

24. The likelihood that approval of UP-NS would spawn further downstream consolidation would not make the risk-reward calculation any better. It would be far worse. All of the potential scenarios would be bad.

25. I see three broad scenarios playing out if UP-NS is consummated, which I list here in no particular order of relative likelihood. First, it is theoretically possible that no further consolidation would ensue in the first few decades following approval of UP-NS. That would leave a single U.S. transcontinental carrier with reach and bargaining leverage the remaining railroads could not match. Second, BNSF and CSXT could combine to form a second transcontinental system, leaving CPKC and CN as independent carriers. That would create two large U.S. transcontinental systems blanketing the country, relegating the much-smaller CPKC and CN U.S. networks to regional north/south carrier status and increasingly dependent on their rivals for access beyond their own limited networks. This appears to be the outcome that Applicants welcome today,[9] despite having warned the Board and the public about the dire consequences of such a duopoly in 2001 when UP was not seeking its own merger.[10] Third, defensive consolidation could extend to CPKC and CN as well, resulting in just two railroads

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[9] Rev. App. 1-95 to -97 ("[I]f other railroads respond to the competitive pressures generated by this merger by forming a second, more efficient transcontinental railroad that also offers broader single-line service, unlocking even more growth in the watershed markets, the result would simply be an American rail network with two stronger, more efficient transcontinental carriers—an outcome fully aligned with the public interest.").

[10] *See* Paragraph 19 above.

serving all of North America. In my view, none of these outcomes would serve the public interest.

A. Even Without Further Consolidation, UP-NS Would Create a Super-Dominant Railroad that Would Be Harmful

26. The absence of further consolidation would not make the creation of the UP Transcon benign. As discussed above, UP would be the sole U.S. transcontinental railroad, broader in reach and harder for customers and connecting carriers to avoid than any other railroad. That would give UP greater bargaining leverage and greater ability to determine which routes and service offerings would remain commercially viable. The Board cannot solve the problem by approving UP-NS and then closing the door on further mergers. Nor can it rely on a later combination to restore the independent routing choices that UP-NS would eliminate. The risks are serious under each of the possible outcomes.

27. The combined carrier's influence would extend beyond its own network to the industry institutions on which competing railroads depend. AAR and its many committees play a vital industry role in overseeing rules and standards supporting the safe and efficient functioning of America's interconnected rail network. AAR oversees the vital "Interchange Rules," which govern the acceptance and handling of railcars and intermodal equipment in interchange; the car repair billing system, which supports the fair and efficient repair of freight cars moving across railroad boundaries on the interline network; the car hire prescription regime, which supports compensation for railroad-marked freight cars moving across railroad boundaries; the certification of equipment as meeting critical standards for safe interchange; and numerous ancillary standards and mechanisms.

28. AAR's for-profit subsidiary Railinc Corporation ("Railinc") provides technical and data-related support for many of the same core functions of railroads participating in an

interconnected rail network. It also supports joint investments by America's railroads in technologies and systems that improve safety and efficiency. Railinc systems facilitate interline revenue settlements, car-hire payments, and other financial transactions associated with the exchange of interline rail traffic among railroads.

29. The Transaction would give UP-NS substantially greater influence over the decisions of AAR and Railinc that directly affect UP's competitors and the future effectiveness of the interline rail network. As UP shifts its focus toward its own closed-loop, single-line network, it would have reduced incentives to ensure that the functions of AAR and Railinc continue to support effective interline service, and greater ability to skew those functions to favor its own interests over those of others.

30. UP's greater influence would have implications for seemingly technical issues with substantial competitive consequences. For example, the rules governing whether, and on what terms, cars must be accepted in interchange affect the competitiveness of interline options. Equipment and inspection requirements can be used to increase another carrier's costs. And the administration of embargoes can restrict traffic flows when a railroad asserts congestion or other operational impairment. Even if UP-NS could not dictate any particular AAR decision by itself, its substantially greater scale, traffic, assets, personnel, and participation across AAR committees would give it a correspondingly greater ability to shape the rules on which its direct competitors depend to participate in the national network. These risks would arise from the UP-NS combination itself, regardless of whether further consolidation followed. Railinc is currently developing a crew management application for CPKC, CSXT and CN. NS had been part of this project but recently dropped out. UP has its own tool and is uninterested. With more power, UP

could influence Railinc's decision whether to embark on these sorts of projects in the future or potentially end the current work and leave competitors without a modern crew system.

B. The Board Should Expect Downstream Consolidation

31. Although the risks described above would arise even if no further consolidation occurred, I do not regard that outcome as likely. In 2001 the Board correctly identified that further Class I consolidation would spark a duopoly "end game," and UP itself argued that downstream analysis should assume an end state of only two major North American railroads.[11]

32. UP and the Board were correct then. I expect that approval of the proposed UP-NS merger would set in motion further consolidation culminating in a transcontinental rail duopoly. Following a merger, the remaining Class I railroads would be compelled to take steps to defend themselves against the combined carrier's extraordinary market power, scale, and reach, and it is likely that they would view consolidation into comparably broad systems as offering the best (and perhaps the only) insurance policy against exploitation at the hands of UP-NS. This is not to say that they would see the UP-NS merger as providing *benefits* for consumers or the U.S. economy that they would need to match—rather, they would see it as *a behemoth that has significant market power*, and they may see consolidation as the best way to protect against abuse by the behemoth.

33. I expect that publicly-held railroads would face very strong pressures from their investors to give serious consideration to further consolidation. With a hypothetical UP-NS approval in the rearview mirror, investors would expect other railroads to pursue the kinds of

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[11] *Major Rail Consolidation Procedures*, 5 S.T.B. 539, 560, 581-82 (2001); *Major Rail Consolidation Procedures*, UP Reply Comments on Proposed Merger Rules, Ex Parte No. 582 (Sub-No. 1) (filed Dec. 18, 2000), at 8-9 (Exhibit 2).

multi-billion dollar profit gains that UP has promised its investors, even if the managements of other railroads regarded the UP-NS claims as unrealistic. Each of the remaining railroads would also have strong incentives to act quickly, so that they would have the best chance of choosing their merger partner, and the best chance of avoiding being left out in the cold.

34. CPKC has given serious internal consideration to whether it should pursue further consolidation in the event UP-NS appeared likely to proceed. Our conclusion has been that no consolidation makes sense today if UP-NS does not proceed. CPKC would be able to continue the journey on which we embarked when we combined with KCS in 2023 by continuing to roll out services that meet shipper needs and compete hard against other transportation options available to customers in the territories we service—including the single-line UP and BNSF services that our merger helped invigorate. Without a UP-NS merger, we would not be interested in further Class I consolidation, at least for the foreseeable future.

35. [redacted]

36. [redacted]

[12] *See* Brooks V.S. ¶¶ 61-64.

[redacted]

37. I cannot speak for CN, but I expect CN would face the same kinds of incentives. A north-south carrier left outside a two-transcontinental-system structure could become increasingly at the mercy of the larger east-west systems for access, routings, and viable connections.

38. The likely result is not one new transcontinental railroad alongside several unaffected competitors, but a defensive consolidation process tending toward two dominant systems. I expect that this process would in short order place approximately 90 percent of North American freight-rail transportation in the hands of just two networks.

C. There Would Be No Return from a Transition to Duopoly, Which Would Have Serious Adverse Public Interest Consequences

1. A Transition to Duopoly Would Entrench Rather than Overcome the Harms from a UP-NS Combination

39. Applicants' vision of the future appears to be that, if the Board has any concerns about imbalances created by the UP-NS combination, it can count on further consolidation—

especially between CSXT and BNSF—as creating a competitive counterweight to UP-NS.[13] Applicants' position, however, fundamentally misunderstands the problem. UP-NS would eliminate customer optionality and reduce shipper bargaining leverage. The optionality customers once had to choose among CPKC-NS, UP-CSXT or NS-BNSF routings (to list just a few permutations) would not be restored if these other railroads entered into their own consolidations. It would stay gone. And customers would not wake up to find that they had new head-to-head single-line options everywhere they wanted to ship. UP would retain dominant sole-served access and/or preferred routing options to many shippers and in many parts of the country. So the best shippers could hope for would be a situation that did not get worse.

40. But in reality, the situation likely would get worse. With fewer independent centers of decision-making in the U.S. rail network, risks of systemic service failure would grow, and shipper bargaining power would shrink. All goods for which rail shipment was economically advantageous would have *at most two* independent options, instead of up to six in today's world. All shippers considering where to locate a new factory would have but two railroads to choose from, or a shortline connecting to at most two railroads nationwide. And so on.

2. A Transition to Duopoly Would Bring New Kinds of Competitive Harms

41. Further consolidation also would give rise to new kinds of competitive issues that heretofore have not been on anyone's radar because there remain a fairly large number of

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[13] *See* Rev. App. 1-95 to -96; Applicants' Second Response to Decision No. 21 (UP-80/NS-78) (July 27, 2026), at 149.

independent railroads. One key example is competition in the sourcing of inputs railroads need to do business. Railroads purchase specialized locomotives, railcars, bearings, wheels, rail and track material, signal and communications systems, inspection and maintenance machinery, software, repair services, fuel, and skilled labor. The immediate UP-NS combination alone reported $2.6 billion of UP "purchased services and materials" and $2.1 billion of NS "purchased services and rents" in 2025—a combined $4.7 billion across those broad expense categories that a single buyer would control.[14]

42. A large buyer can demand lower prices, lower volumes, longer payment terms, broader warranties, proprietary specifications, or control of intellectual property. Some procurement savings likely would be a transfer from suppliers to the dominant railroad rather than a real resource efficiency or public benefit. Reduced buyer competition can suppress input prices or purchase volumes and weaken suppliers' incentives to invest in capacity or innovation, producing vendor exit, less redundancy, longer lead times, and a less resilient rail supply chain.

43. The rail industry has a particularly vulnerable supply base. UP tells investors that it already has only two domestic locomotive suppliers and relies on a limited number of steel producers qualified to meet its rail specifications; it says entry barriers are high and supplier loss or consolidation could cause cost increases and shortages.[15] NS independently reports that capital intensity and rail-specific requirements create high entry barriers for suppliers of

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[14] Union Pacific Corp., Annual Report on Form 10-K for the Year Ended December 31, 2025 (Feb. 6, 2026), at 31; Norfolk Southern Corp., Annual Report on Form 10-K for the Year Ended December 31, 2025 (Feb. 9, 2026), at K49.

[15] *E.g.*, Union Pacific Corp., Annual Report on Form 10-K for the Year Ended December 31, 2025 (Feb. 6, 2026), at 12 ("We are dependent on certain key suppliers of locomotives and rail. . . .").

locomotives and rolling stock, and that changes in these limited supplier markets can cause significantly higher prices or material shortages.[16] Many suppliers would not be able to replace a lost Class I customer with demand from another industry.

44. A post-merger UP, and a post-merger "Other Duopolist," might believe that their dominant position would insulate them from these longer-term risks, but their short-term goals likely would be to exploit every cost saving they could (as Mr. Janke's testimony confirms, as I note below). But a situation where just two railroads are responsible for nearly every decision about what gets purchased to make the U.S. rail network work, and from whom and on what terms, is not a ticket to long-term public interest benefits. Consider the well-known case of the concentrated U.S. auto industry, which decades ago squeezed its supplier base so hard that the industry lost its edge in competition with emerging worldwide competitors. The problem for the U.S. rail network is that there are no "worldwide competitors" waiting in the wings to pick up the pieces if UP and its fellow duopolist drop the ball. The U.S. economy and the public interest would be entirely dependent on the duopolists doing the right thing rather than simply pursuing profits for themselves and their shareholders. Again, that is a bad bet for the Board to make.

45. Another adverse consequence of further downstream consolidation would be a loss of innovation. Independent railroads are independent laboratories of experimentation. As the Board has seen in recent years, independent railroads make different judgments and choices about the design of rail service products, operating plans, inspection technologies, automation, customer interfaces, and research into the development of alternatives to traditional diesel-fueled

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[16] *E.g.*, Norfolk Southern Corp., Annual Report on Form 10-K for the Year Ended December 31, 2024 (Feb. 10, 2025), at K15-K16 ("We may be negatively affected by supply constraints resulting from disruptions in our fuel markets or supplier markets.").

locomotives, among many others. A successful experiment pressures rivals to respond; an unsuccessful experiment does not determine the direction of the entire industry. With only two dominant decision makers, fewer ideas would receive independent trials, a standardization error would affect more of the market, and each system would have less incentive to introduce a disruptive product. That loss of independent experimentation is a public harm, not an operating efficiency. Further consolidation would also concentrate influence over AAR and Railinc in two dominant systems, magnifying the risks to neutral industry rules and shared systems described above.

3. A Transition to Duopoly Would Make It Even Harder to Attempt to Regulate America's Railroads

46. A two-system rail industry would be less susceptible to effective rail regulation, while simultaneously being more dependent on such regulation to perform functions that rivalry performs today. The Board would be asked to police gateway access, reciprocal switching, haulage rights, proportional rates, interchange performance, nondiscrimination, service quality, investment priorities, and capital commitments across continental networks. It would repeatedly have to decide whether a service deterioration reflected discrimination, a legitimate operating constraint, or an investment decision. As the number of independent Class I carriers falls, fewer unaffiliated carriers remain to supply replacement competition and conventional remedies become less effective.

47. And it would have to conjure up out of thin air new reasons to trust that UP could be held to its promises despite strong incentives to act otherwise, as Mr. Gameiro explains. Written conditions in a Board decision are not equivalent to an independent carrier's incentive to win traffic and may not always be worth the paper they are printed on. In July 2025, for

example, the Board had to enforce a condition dating to the 1988 UP/MKT transaction so CPKC could again exercise haulage rights for traffic originating on the legacy-CP network north of Kansas City to the ports of Houston and Galveston. CPKC's petition to enforce that condition had been pending for almost two years (since August 2023), and during that time UP effectively blocked competitive access. Were the Board to attempt to condition a UP-NS transaction, much less a duopoly, that same pattern could be repeated dozens of times across the country, with little practical recourse.

48. The natural incentives of continent-wide duopolists are another key source of caution. For example, existing reciprocal-switching relief would not be an effective substitute for competition in a duopoly world. In a duopoly, neither carrier would have strong incentives to upset market equilibria by gaining or exploiting access to an important solely-served customer of its rival. Each would expect retaliation and would face a hard choice between remaining content with the profits and market position it already has and risking a widening price war in order to gain market share. With two continent-wide networks having broadly symmetrical access to traffic opportunities, the risk of complacency would be elevated relative to today's world.

49. The same would be true of any other sort of competitive initiative. With only two systems meeting in nearly all markets, each would know that an aggressive action at one gateway could be answered at another. A carrier considering action to take share from its rival—via some new investment to meet bespoke customer needs, more aggressive pricing to attract volume growth, or anything else—would need to account for the prospect of a mirrored response across its much larger network. The predictable risk of retaliation can soften competition even without an express agreement.

50. Compensating for these regulatory gaps would require a substantially more intrusive regime than the Board has ever experienced or tried to implement: automatic access rather than shipper-by-shipper relief; neutral gateway and terminal governance; transparent lane-level performance; enforceable capacity and interchange obligations; and prompt remedies covering price as well as service. Even then, the Board would have to supervise dispatching, investment, train design, rate divisions, and service priorities across two continental networks with less real-time information than the carriers. It could only imperfectly imitate the decentralized decisions of independent competitors.

IV. THE UP-NS TRANSACTION POSES SEVERE AND SYSTEMIC SERVICE RISKS OVER BOTH THE SHORT AND LONG RUN

51. For a combination of reasons, the UP-NS combination, if approved, would entail a serious risk of service collapse for the U.S. rail network. Structurally, UP would go nearly everywhere, and nearly every railroad would be in part dependent on UP's network running fluidly. UP's and NS's track records magnify the concerns. Their prior merger implementations in the late 1990s were a well-known catastrophe that nearly took down the U.S. economy, and a UP-NS integration problem would be multiples worse. More recently, their pattern of under-resourcing for fluctuating volumes—notwithstanding repeated public claims of having "buffers"[17]—does not bode well. Layered on top of this, their actual plans show that they are woefully ill-prepared, and affirmatively dismissive, of very real risks associated with transitioning to an integrated UP-NS operating regime.

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[17] *See, e.g.*, Letter from Jim Vena, CEO, Union Pacific, to Robert Primus, Chairman, STB, at 1 (Sept. 30, 2024) ("We keep a buffer of resources to handle the ebbs and flows of our business. . . .")

A. The Breadth of the UP Transcon Will Mean Any Service Disruptions Take Down the Entire U.S. Rail Network

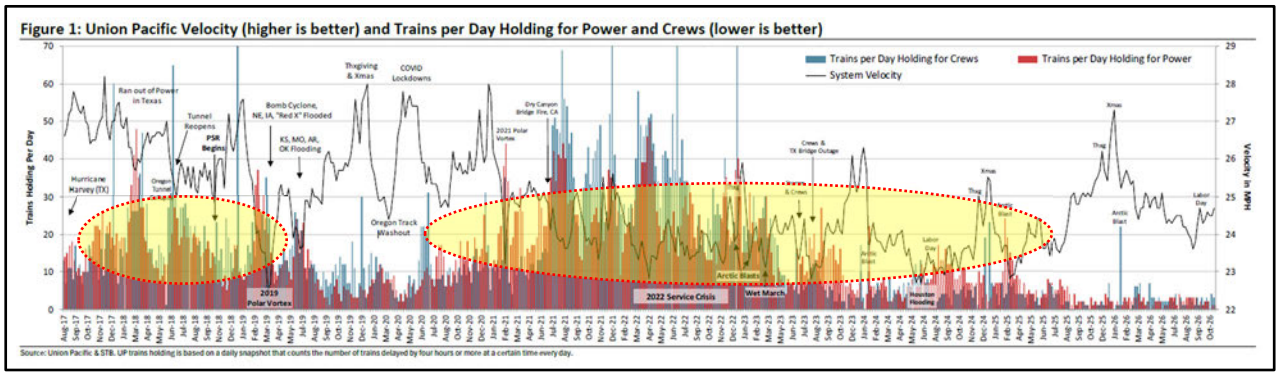
52. UP's and NS's past service problems are well documented in the historical record, and I will not belabor them. Table 1 is a timeline of the most noteworthy service collapses since UP acquired CNW in the mid-1990s.

TABLE 1
HISTORY OF SYSTEMIC SERVICE FAILURES SINCE 1994

Union Pacific	Date	Norfolk Southern
Service disruptions after CNW integration	**1995**	
Service meltdown after SP integration	**1997-1998**	
	1999-2000	Service meltdown after Conrail integration
Network congestion owing to shortages of crews and other resources and demand surge	**2003-2004**	
Service collapse from polar vortex	**2014**	Service collapse from polar vortex
Network congestion and reduced velocity	**2017-2018**	Congestion and reduced velocity, particularly in the southern network
Unified Plan 2020 implementation, workforce reductions increase use of congestion embargoes	**2019**	
Post-COVID service failures; more than 1,000 embargoes in 2022	**2021-2023**	Post-COVID service failures, compounded by the East Palestine derailment in 2023
	2023	Technology outage disrupted train movements and core operating systems
	2025-2026	Near service collapse following Horseshoe Curve derailment

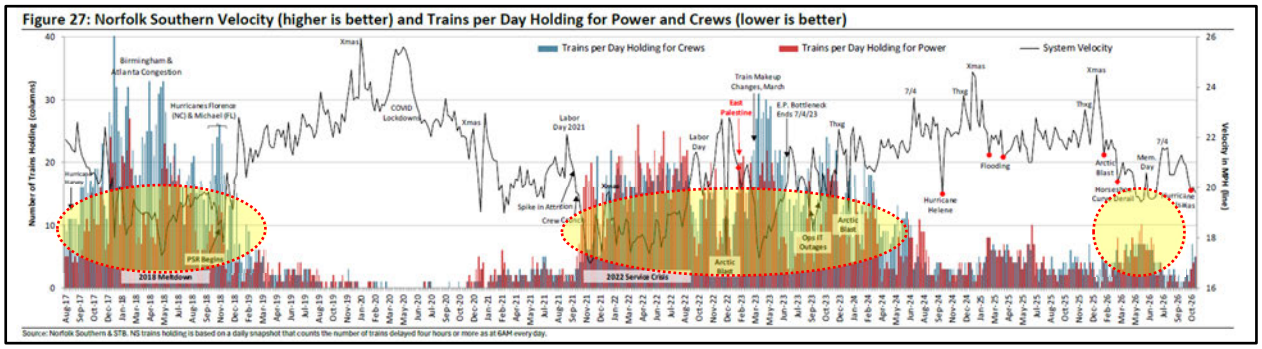
53. Drawing from data submitted to the Board by all Class I railroads, Rick Paterson has plotted the service trajectories for UP and NS since mid-2017. They are reproduced below as Figures 4 and 5.

FIGURE 4
UP NETWORK-WIDE VELOCITY SINCE 2017[18]



54. As Figure 4 above shows, just since 2017, UP experienced poor network-wide velocity in early 2018 as a result of "[running] out of Power in Texas," and it experienced monumental service failures that began in mid-2021 and continued through 2024 during its COVID recovery.

FIGURE 5
NS NETWORK-WIDE VELOCITY SINCE 2017[19]



55. As shown in Figure 5 above, for its part, NS experienced poor network-wide velocity as a result of congestion in the Birmingham and Atlanta region during 2017-2018 and it

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18 Rick Paterson, *The State of the Rails* (Nov. 6, 2026), at 5 (highlighting added) (Exhibit 3 hereto).

19 *Id.* at 21 (highlighting added) (Exhibit 3).

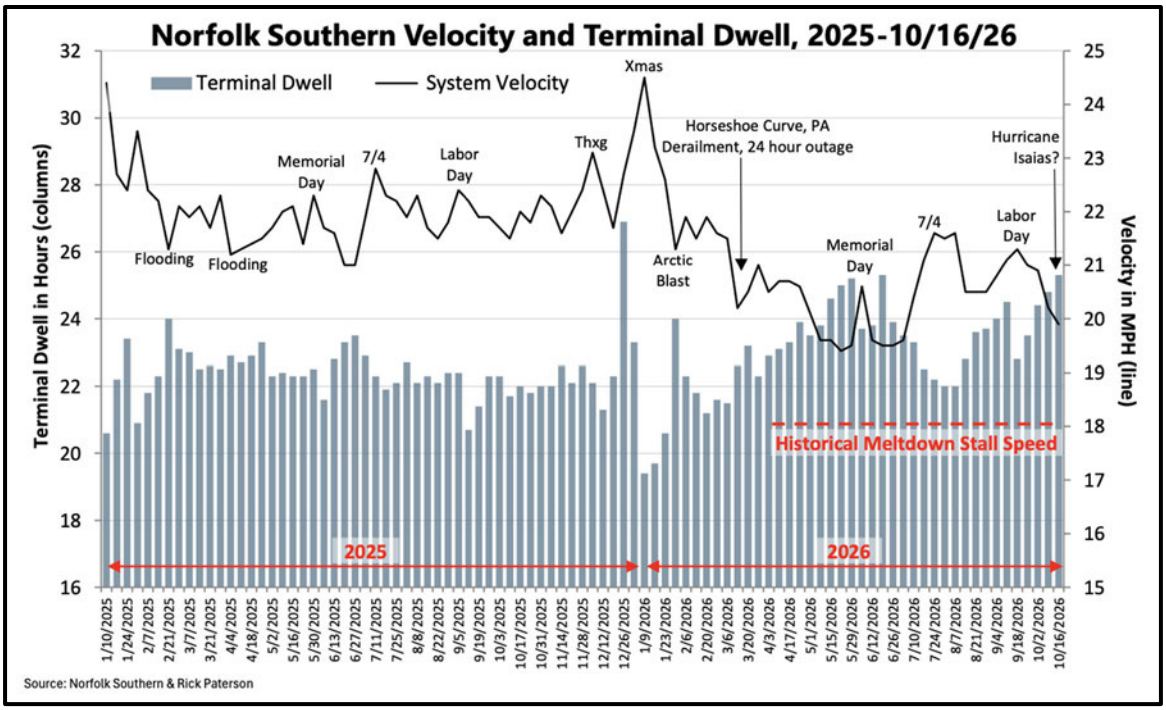
experienced its own 2022-2023 service crisis that was prolonged and exacerbated by the East Palestine event. For both railroads, all of this was on top of fluctuations caused by routine weather-related disruptions. As Mr. Paterson points out, moreover, NS's network has been showing signs of being at the brink of a significant downward service spiral several times already this year.

56. In his report dated October 23, he addresses the surprising impacts on NS's network of Hurricane Isaias, which are shown in Figure 6 below:

> It's difficult to say to what extent this relatively weak hurricane is responsible for the continued slowing of NS's system, so we're left with two bad options. It's either a demonstration of poor resiliency (CSX handled Isaias much better, for example) or the hurricane impact was immaterial and the system just continues to slow on its own, post-Labor Day. Pick your poison.[20]

[20] Rick Paterson, *The State of the Rails* (Oct. 23, 2026), at 1 (Exhibit 4 hereto).

FIGURE 6
NS NETWORK VELOCITY 2025-2026[21]



57. Mr. Paterson also commented on NS's longer-run track record:

> Zooming out, the picture doesn't get any better. Over the last 10 years the network has only ran reasonably well for 3.5 years: 2019, 2020, the second half of 2024, and 2025. No business can be successful when service sucks 65% of the time.[22]

58. As of Mr. Paterson's November 6 report, NS's manifest network was still "struggling." NS's "manifest velocity decelerated by another 2.3 percent to 17 mph—a new low since the May/June trough. Equally worrisome is the on-time performance metrics around this network."[23]

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21 *Id.* at 2 (Exhibit 4).

22 *Id.* at 1 (Exhibit 4).

23 Rick Paterson, *The State of the Rails* (Nov. 6, 2026), at 2 (Exhibit 3).

59. Industry experience shows that large rail networks operating near the margin of their resourcing and capacity can rapidly propagate congestion far beyond the original source, like ripples expanding across a pond. When a major terminal loses fluidity, inbound trains are held; crews and locomotives miss their next assignments; cars fail to make planned blocks and connections; origin yards fill; and the effects move outward through subsequent train cycles. That means that on a single transcontinental system, a disruption that begins locally can impair corridors and customers far from the initiating location.

60. We have witnessed this effect during past mergers, which confirms the risk here. During UP/SP integration, inadequate Houston-area infrastructure could not absorb a traffic surge and the resulting congestion affected service throughout the western United States; disruptions and lengthy delays continued through the remainder of 1997 and into 1998, prompting emergency Board orders and additional conditions. Despite the locus of congestion being confined primarily to UP's western U.S. network, the crisis inflicted substantial economic harm on the broader economy, not just UP.[24] This example demonstrates how mergers among major carriers can create disruption nationwide in scope—an issue that is then even harder to ameliorate because fewer independent carriers remain available to assist.

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[24] U.S. Dep't of Transp., Transportation Statistics Annual Report 1998, BTS98-S-01, at 47-49 (1998), https://rosap.ntl.bts.gov/view/dot/4649/dot_4649_DS1.pdf (estimating $2 billion in nationwide losses from July 1997 through January 1998, including $1.1 billion in lost production and higher transportation costs in Texas alone), ; *see also* U.S. General Accounting Office, Railroad Regulation: Changes in Freight Railroad Rates from 1997 Through 2000, GAO-02-524, at 5-7 (June 2002), https://www.gao.gov/assets/gao-02-524.pdf; U.S. General Accounting Office, Railroad Regulation: Changes in Railroad Rates and Service Quality Since 1990, GAO/RCED-99-93, at 82-83 (Apr. 1999), https://www.gao.gov/assets/rced-99-93.pdf.

61. The CSXT/NS division of Conrail is another clear warning against equating planning with assurance. The Board found that severe service problems persisted for a year or more despite substantial planning with the Board and FRA and carefully phased and delayed implementation.[25] UP/CNW and BN/SF also experienced post-implementation disruptions.[26]

62. Although past service crises have not been strictly confined to any one carrier's network boundaries, the expansion of the UP network to nationwide scope will remove natural circuit-breakers that can help prevent a problem on UP (or on NS) from spreading to both coasts. A UP-NS failure would not stop at the merged carrier's property line. BNSF, CSXT, CPKC, short lines, ports, and passenger operators exchange traffic with it or use common gateways and terminals. They would confront missed interchanges, equipment imbalances, congestion from held, embargoed, or diverted traffic, overcrowded intermodal and other terminals, and demands to absorb emergency volume. Alternative-service relief works only if another carrier has crews, locomotives, yard slots, and line capacity available without harming its own customers. Independent East and West networks can obtain through-service efficiencies while preserving separate operating centers and alternative routings; a merger instead combines the failure domains.

B. Applicants' Pattern of Under-Resourcing Exacerbates the Risks

63. A common denominator in the recent UP and NS service problems has been insufficient resources to keep a local disruption from getting out of control. A focus on operating-ratio improvement and expense reductions can undermine reliable service when it

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[25] Major Rail Consolidation Procedures, 5 S.T.B. 539, 557-58 (2001).

[26] *Id.*

leaves too little capacity to absorb fluctuations or recover from disruption. That is a problem of company strategies and execution, not a reflection of core PSR principles. CPKC's experience with PSR has been different, and I do not regard the practices that produced UP's and NS's problems as the model we follow.

64. Claiming to have learned the lessons of 2022, UP has been talking a lot about having resource "buffers" to prevent this kind of problem. But a focus on operating ratio improvement remains a key part of UP's public messaging to investors, and a focus on grabbing every ounce of cost reduction is a key pillar of its plans to extract profits from its merger with NS.[27]

65. Further, UP's "buffer" strategy has yet to be tested by any real surges in traffic or changing composition of traffic of the kind that Applicants say they plan to sweep onto their new transcontinental network. They have no experience with the "buffer" required to implement merger-related changes on UP, and even less so on NS. Nor would buffers of railroad resources alone suffice. As Mr. Brooks explains, Applicants' projected intermodal growth would require substantial third-party investments in containers, chassis, drayage trucks, and drivers, along with extraordinary demand for intermodal railcars supplied primarily by TTX. Applicants have not demonstrated that those resources will be available when and where needed.[28] Any assessment

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[27] Union Pacific Corp., Q2 Earnings Call, Transcript (July 23, 2026) (remarks of Jim Vena) (referring to UP's operating ratio as demonstrating "fundamentally who we are and what we're doing"), at 17 (Exhibit 5 hereto); Union Pacific Corp., Q2 Earnings Presentation (July 23, 2026), at 8 (reaffirming "Operating Ratio Improvement" and "Industry-Leading Operating Ratio and Return on Invested Capital" as 2026 objectives) (Exhibit 6 hereto); Union Pacific Corp., *Investor Day Presentation* (Sept. 19, 2024), at 52 (identifying pricing accretive to operating ratio and an industry-leading operating ratio as 2025-2027 targets) (excerpts are Exhibit 7 hereto).

[28] *See* Brooks V.S. ¶ 137.

of Applicants' readiness must account for those resources as well as the capacity of the railroad itself.

66. UP may think it has learned some of the lessons of 2022, but it has no idea what disruptions are coming down the pike, and its contemplated merger-related changes will place extreme pressure on its resource base by requiring extensive change at the same time as Applicants' forecasted massive changes in traffic levels and traffic patterns.

67. Equally important, past service episodes on UP and NS's networks tell only part of the story. They do not reveal the extensive efforts undertaken by these railroads to manage capacity on their networks so as to avoid the consequences of reduced velocity. As UP explained to the Board in 2022, it used more than a thousand embargoes *to keep traffic off of the railroad* to mitigate the downward spiral in service performance, and upward spiral in costs, that would otherwise have resulted. After the Board's inquiry into those practices, UP's proactive management of traffic volumes did not stop—it took other forms, like the recent surcharges applied by UP to certain intermodal traffic to avoid UP's network becoming overburdened.[29] There is no doubt that maintaining fluidity through aggressive metering is a better outcome than a service meltdown, but both have real costs. Shippers pay in one form or another, and the ostensible goal of "traffic growth" is the victim.

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[29] *Oversight Hearing Pertaining to Union Pacific Railroad Company's Embargoes*, Ex Parte No. 772 (STB served Apr. 17, 2024), at 1 ("In 2022, Union Pacific Railroad Company (UP) issued over 1000 embargoes due to congestion on its network, which was nearly ten times as many embargoes as any other railroad."); Union Pacific, *Mutual Commitment Program August 2026 Update*, Announcement No. PR2026-52 (Aug. 11, 2026) (announcing surcharges on intermodal shipments above baseload volumes, including $1,000 per shipment under the Aggregate Program in specified California markets) (Exhibit 8 hereto).

C. Applicants Fail to Appreciate the "Fog of Integration" They Will Inevitably Face

68. The risk of systemic service collapse is heightened materially by UP's failure to take the risks seriously. UP's Service Assurance Plan, which is required by Board rules to identify the precise steps Applicants would take to ensure adequate and improved service and establish contingency plans to mitigate unanticipated service disruptions, must be evaluated alongside Applicants' Integration Plan, which outlines a credible high-level framework but provides insufficient transaction-specific detail to establish confidence in successful execution. Applicants' framework superficially resembles the one we used at CPKC, but Applicants' presentation shows that they do not appreciate the complexities and risks of their planned integration, and rail shippers will pay the price.

69. I have intimate familiarity with CPKC's own merger integration efforts. I oversaw planning for our cut-over of IT systems, which took place on May 3, 2025 (what we call "Day N"), more than two years after we acquired control of KCS, and I have been responsible for reporting to CPKC's Board of Directors regarding the progress of our integration. That ongoing responsibility gives me a firsthand perspective on both the work required and the problems that can arise despite extensive preparation.

70. ***CPKC's Experience Shows that the "Fog of Integration" Is a Major Threat.*** CPKC's 2025 experience integrating the legacy-KCS U.S. network was difficult, and many of the customers on that part of the CPKC network experienced meaningful (albeit temporary) service disruptions.

71. CPKC undertook extensive preparations, just like Applicants say they plan to, before transitioning KCS's operating IT systems to CP's systems. We initially contemplated a larger coordinated cutover on a single date. After assessing the risks, we moved as much work

as possible to earlier in the schedule—a process we called "shift left"—so that fewer changes remained to be made all at once. However, a significant operating-system component still required a coordinated cutover. We proceeded only after the preparation gave us confidence to do so. Our preparation and testing went as planned, and the systems were available and working as designed at cutover. We did not roll back the implemented systems or make significant changes to them, and we continue to use them as implemented. Nevertheless, integration was far more difficult than we had anticipated. We experienced degradation in data integrity that impeded the usability of the systems and our ability to operate effectively. CPKC responded quickly with a defined contingency plan and deployed resources across the network to support recovery. Reducing the work concentrated at cutover helped manage the risk, but in the end it did not avoid meaningful adverse impacts.

72. The challenge was not simply whether the software worked as intended. Ours did. More fundamentally, our employees had to change how they collected, entered, and used information while continuing to operate the railroad. Despite training, communication, process mapping, and onsite support, employees in different geographic locations did not all understand or implement the changes in the same way. In my view, those differences were among the root causes of our integration challenges in the southern U.S. portion of the network. Applicants describe UP and NS as having similar cultures, just as we believe CP and KCS did, but broad cultural similarities do not eliminate differences in local operating practices. Their plan addresses change management and training without adequately explaining how differences in employee adoption and workforce resistance would be identified and managed. Differences in how employees use and trust existing systems, including perceptions that replacement tools reduce their capabilities, create execution risks that process mapping alone cannot eliminate. A

railroad's operating plan is a set of interdependent activities: yard work, train movements, crew assignments, locomotive and car cycles, interchange, and customer service. Changes in one activity affect the others. When many working practices change at once, personnel may not have the reliable operational visibility they need to diagnose a problem and respond. That is the "fog of integration." A plan to reroute trains around a congested yard does not address the underlying problem if personnel cannot reliably determine where the trains are or have instant knowledge of what work needs to be done.

73. CPKC's experience is a dire warning about the much greater and underappreciated risks of Applicants' much larger and more complex proposed integration. Applicants' plans do not fully account for what can happen when operating personnel, information flows, and working practices change together. CPKC's experience shows that railroads cannot assume that familiar software and a written plan will assure a smooth transition.

74. Ultimately, the hard work of CPKC's operating teams and the relatively small geographic scope and linear layout of the legacy-KCS network limited the damage from our Day-N integration, and service on the legacy-KCS network was restored to near-normal conditions relatively quickly. A post-merger UP network will be radically more complex and radically more exposed to very serious disruptions. UP operates approximately 32,880 miles in 23 states and NS approximately 19,200 route miles in 22 states and the District of Columbia; Applicants expect full integration within three years. The combined carrier will have to successfully integrate a network more than five times the size of CPKC's U.S. network. The complexities of an integration that massive are exponentially more difficult to predict or quantify, much less to insure against failures causing serious operating disruption.

75. ***UP's NetControl Experience Is Not Representative of a UP-NS Integration.*** Combining two Class I railroads also differs fundamentally from the internal systems upgrades and modernizations that UP and NS have undertaken.

76. Applicants have repeatedly emphasized UP's successful cut-over to the NetControl platform in 2024 as an illustration of how they have cracked the code of successful IT integration.[30] Unfortunately, UP's characterizations of its NetControl evolution are not entirely accurate, and even if they were, UP's NetControl experience is not remotely representative of the challenges posed by a Class I merger integration, much less one as complex as integrating NS into UP.

77. First of all, UP's NetControl cut-over in 2024 was not an all-at-once replacement of UP's operating IT systems. To the contrary, it was just the last step of an evolution of UP's internal systems across almost two decades, as reported in *Progressive Railroading* back in 2013. By 2013, UP had already implemented half of the NetControl modules and made NetControl available to its partially owned Mexican affiliate FXE.[31] In 2021, UP's Chief Information Officer explained to investors that the NetControl overlay, which connected UP's

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[30] Rev. App. 2-953 to -54 (Turner Second Errata V.S. ¶¶ 199-200); *id.* at 1-237 (Vena V.S. ¶ 64); *see also* Union Pacific–Norfolk Southern Merger Announcement, Transcript (July 29, 2025) at 14 (response of Jim Vena to Brandon Oglenski) ("[I]t was a nonevent. It was like nobody knew it actually happened.") (excerpts are Exhibit 9 hereto); Union Pacific Corp., Morgan Stanley 14th Annual Laguna Conference, Transcript (Sept. 16, 2026) at 19-20 (remarks of Jim Vena) (describing the NetControl cutover as "a little scary" but stating that "we did it over a weekend") (excerpts are Exhibit 10 hereto).

[31] Pat Foran, *How information technology helps connect the strategic dots at Union Pacific Railroad*, PROGRESSIVE RAILROADING (June 2013) https://www.progressiverailroading.com/union_pacific/article/How-information-technology-helps-connect-the-strategic-dots-at-Union-Pacific-Railroad—36415 (Exhibit 11 hereto).

underlying operating systems, was poised to go "fully live" during 2022.[32] Even so, NetControl was not fully implemented until 2024.

78. Second, the fact that UP's final cut-over to NetControl between 2022 and 2024 went smoothly provides no basis for concluding that replacing all of NS's operating IT systems with UP's will be equally smooth. UP will not be gradually updating its own internal systems; it will be engrafting UP's systems from scratch on an entirely different railroad, with its own different systems and different workplace cultures.

79. I know this from CPKC's own experience. CPKC, too, has successfully completed internal upgrades. I know that the integration associated with a merger is just very different and much harder. A merger requires reconciling separate legacy systems, data, processes, information flows, and interfaces, including complex operating rules that dictate how employees capture information. To be sure, Applicants' Service Assurance Plan addresses some of this at a high level. Data migration, representative test data, master and reference data, and end-to-end validation are discussed at a framework level, but Applicants have not developed the kind of measurable data-quality thresholds and reconciliation controls that would be essential, much less detailed procedures for maintaining effective operations when core information cannot be trusted during the fog of integration.

80. Applicants' disclosed approach is iterative rather than a single enterprise-wide cutover. They identify interim integration and unified access, direct transition to an end-state platform, and continued use of separate systems pending a longer-term decision as possible

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[32] Union Pacific Investor Day 2021 Transcript (May 4, 2021) at 13-14 (remarks of Rahul Jalali, UP SVP and CIO) (excerpts are Exhibit 12 hereto).

paths. But they do not identify which applications would follow each path, the target platforms, or the criteria and timing for those decisions. Nor do they provide sufficient application-by-application detail to evaluate how NS territory would migrate into UP's operations suite, how inventory and operational data would be reconciled, or how each release would be accepted or reversed. Those questions will be difficult ones and all the more so as the breadth of the networks and the number and complexity of the applications increase, but Applicants' Service Assurance Plan does not address any of these challenges.

81. UP's own public descriptions of how NetControl works reinforce how complex the challenges will be. UP reported that the platform receives millions of messages each day from customers, other railroads, and UP's own systems, and applies business logic that drives downstream activities and 75 internal and external reporting measures. It supports railcar inventory and scheduling, waybill processing, and train, locomotive, and terminal management.[33] Changing the systems that supply or consume that information therefore has implications well beyond installing software. Applicants have not come close to assuring that all of these information flows and operating decisions will remain reliable as NS's network is integrated.

82. Very recent industry experience illustrates how failures in operational information systems can disrupt rail service. According to contemporaneous reporting, a CSX technology outage beginning October 27, 2026, disrupted crew calling, work orders, train bulletins, yard inventory systems, and electronic data exchange with other Class I railroads. Dispatching and positive train control remained operational, but the inability to exchange data largely prevented

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[33] Union Pacific, Rahul Jalali, *NetControl Positions Union Pacific as Technology Trailblazer* (Mar. 18, 2024), at 1-2, https://www.up.com/news/service/jalali-netcontrol-tech-it-240318 (Exhibit 13 hereto).

interchange with other Class I carriers. CSXT reported that manual crew calling slowed operations and that the incident was not a cyberattack and involved no associated data breach.[34]

83. The CSXT experience illustrates that keeping dispatching and train-control systems online does not, by itself, preserve reliable freight service. Railroads also need accurate information to assign crews, identify cars, issue work instructions, and exchange traffic. When those functions fail, available track, locomotives, and crews cannot simply substitute for the missing information. Manual workarounds may preserve some movements, but they cannot replicate the capacity and coordination that reliable operating systems provide.

84. In my view, consolidating UP and NS onto common operating systems will expose a much larger territory to the consequences of a single technology failure, both during integration and afterward. It places far more of the railroad network's eggs in a single basket. A failure affecting a common platform could disrupt operations on both sides of the country at once and impair interchange with the remaining carriers. Applicants have not taken any steps to ensure that critical functions would be isolated from failures elsewhere, to assure that backup systems and data would be tested in advance and function as intended, and, most importantly, they have not presented any plan for how operations and interchange would continue during an outage. The severe risks of failure threaten the entire North American rail network, and certainly

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[34] Bill Stephens, *CSX Operations Affected by Technology Systems Outage (Updated)*, TRAINSPRO (Oct. 28, 2026) (Exhibit 14 hereto); *see also* Joshua Mitchell, C*SX Tech Outage Halts Class I Freight Interchange Even as Safety Systems Hold*, TECH TIMES (Oct. 29, 2026) https://www.techtimes.com/articles/329662/20261029/csx-tech-outage-halts-class-i-freight-interchange-even-safety-systems-hold.htm (Exhibit 15 hereto).

swamp any of the cost savings Applicants propose to achieve by eliminating NS's separate systems, which if not eliminated might provide an independent source of operational resilience.

85. ***Applicants' Contingency Plans Will Make Things Worse.*** Applicants' Service Assurance Plan does not adequately explain how operations would continue if implementation problems degraded data integrity or made core information unreliable. It treats the potential for operational disruption as a matter of capacity and resources, relying heavily on available capacity, alternate routings, and additional crews, locomotives, and cars.[35] Those measures may help address unexpected demand or ordinary operating disruptions, but implementing them effectively requires accurate, timely information about trains, inventory, and the work that needs to be performed. They do not address at all the risks associated with the fog of integration. The key issue is whether the combined railroad can see, understand, and manage the changes occurring across all parts of its network well enough to use that capacity effectively. CPKC's experience shows why a capacity-based contingency plan, by itself, is inadequate.

86. Worse than that, Applicants' plan to shift traffic from one classification yard to another in the event of congestion is itself problematic. If all facilities are near their limits, and operating less efficiently because of the fog of integration, this could spread the problem rather than solving it. The same concern arises if the underlying problem is unreliable operational data: moving traffic to another yard does not repair that data, and personnel may lack the information necessary to carry out the diversion effectively.

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[35] *See* Rev. App. 2-884 (Turner Second Errata V.S. ¶¶ 68-69) (Operating Plan "designed to ensure" yards "will have sufficient capacity"); *id.* at 2-745 to -46 (Gehringer &Orr Second Errata V.S. ¶¶ 274-75); *id.* at 2-1033 to -34 (Turner Second Errata V.S. ¶¶ 410-12) (contingency plans identifying "alternate yards/terminals that could be used to accommodate traffic that cannot access the terminal").

87. And no matter how good an idea it might be, shifting work from one yard to another cannot occur overnight. In the short run it makes the problem worse because it requires trains and blocks that had been planned for the congested yard to be reconfigured and rerouted, adding demands on capacity at the upstream yards as well as at the downstream replacement facilities, and degrading operations because they no longer would adhere to the plans to which on-the-ground personnel were accustomed.

88. At the end of the day, the plans presented in the Application do not provide enough detail to establish whether or how post-merger UP could maintain fluidity through an integration of this scale. A technically successful implementation is not the same as an operationally successful integration. Our smaller and less complex integration encountered significant challenges despite extensive preparation. The Board should not assume that a similar high-level framework would adequately protect a much larger and more interconnected network.

89. Integration failures would impose risks on connecting carriers and customers that do not control UP-NS's systems or implementation decisions. UP-NS would continue to interchange substantial volumes with other Class I railroads, and fluid interchange depends on timely, accurate data flows as well as physical capacity. Disruptions to those information flows could impair service on connecting railroads even when their own systems and operations remain functional. Other carriers operating under trackage rights would likewise remain exposed to service or systems failures on the merged network. Given the scope of the combined network, implementation problems could affect a much larger territory than in CPKC's integration and extend well beyond the merged railroad.

90. Applicants' contingency plan for Chicago illustrates that concern well. It appears to rely on shifting traffic and work to the IHB and BRC if problems arise on UP-NS. But those

terminal railroads serve the rest of the industry as well, not just UP and NS. Moving UP-NS's problem onto shared facilities could burden other carriers and impair their service rather than restore fluidity. A credible contingency plan must account for those carriers' capacity, information requirements, and service obligations, and for the consequences for their customers.

91. ***Post-Hoc "Remedies" Won't Help.*** Nor will Applicants' plan to provide after-the-fact relief meaningfully address the problem. Their revised Application highlighted after-the-fact relief only in narrow circumstances. It offered arbitration only after "substantial deterioration" of service, allowed UP 30 days to cure the problem, and ended the proposed customer remedy process after only three years. When the Board subsequently required Applicants to provide supplemental information, it directed them to explain what would trigger relief, any measurable benchmarks for granting it, the compensation available, and the remedies for contract and exempt traffic. In response, Applicants instead (1) refused to adopt benchmarks for damages claims in favor of a "flexible, case-specific standard," (2) retained a cap of $2 million in direct damages, (3) left contract shippers to their contracts, and (4) added a "Targeted Access Program" ("TAP") that is effectively meaningless.[36]

92. The TAP program offers sole-served carload customers in terminal areas six months of potential reciprocal switching and limits that potential relief to the oversight period. The TAP program is effectively useless for multiple reasons. First, and most fundamentally, the TAP program entails UP providing first-mile/last-mile service in circumstances where UP's

[36] Decision No. 21 (STB served May 28, 2026), at 26-27; Applicants' Second Response to Decision No. 21 (UP-80/NS-78) (July 27, 2026), at 11-12, 121-28, 189-95.

network was already failing to deliver for that customer. In all likelihood, UP would claim that new reciprocal switching would complicate UP's operations and interfere with its service recovery. Second, TAP is severely restricted in its application and duration. A customer would qualify only if its trip-plan or spot-and-pull performance fell below both (a) pre-merger levels and (b) generally applicable thresholds of 70 percent or 85 percent, respectively. A shipper for which UP or NS performed at above-average levels pre-merger would have to suffer a great deal before tripping the generally-applicable thresholds, whereas a shipper for whom UP or NS performed relatively poorly pre-merger would have to receive abysmal post-merger performance before tripping the thresholds. Even then, UP would be provided a further 30-day cure period and would be free to raise a host of defenses in arbitration, and relief would last for only six months before terminating automatically, too little time for a shipper to work with an alternative carrier to hone its own service in a manner that met the shipper's needs. TAP is effectively designed so that it would never be used and could never provide meaningful relief.

93. Applicants also offered a "springing" rate-arbitration program, which takes effect only if the Board later finds that the merger's benefits have not materialized.[37] But that program preserves all of the defenses UP would have today to a rate reasonableness case (including commodity exemptions, exemption of traffic under contract, and both qualitative and quantitative market dominance) while also disallowing any attempt by shippers to apply a rate reasonableness constraint to UP's post-merger pricing.

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[37] Applicants' Second Response to Decision No. 21 (UP-80/NS-78) (July 27, 2026), at 9-10, 128, 192.

94. Most fundamentally, all of these "improvements" involve remedies that address service problems only *after the fact*. Monitoring might identify deterioration; arbitration might allocate compensation; and temporary access might provide a possible outlet. But none prevents the initial loss of fluidity, returns a delayed shipment to schedule, or keeps a plant supplied while relief is arranged.

95. The same practical problem applies to access offered after a service failure. If the merged carrier cannot perform the local switching necessary to serve a customer, offering another carrier the line haul does not itself restore that switching. A disruption at a Mid-Continent gateway may affect customers and carriers far beyond the location where a service metric is measured. Nor does relief delivered after a delay prevent the initial harm. These are examples of why a service-triggered access program cannot substitute for a credible integration plan or for the competition the merger would remove.

V. APPLICANTS' CLAIMS ABOUT THE NEED FOR A MERGER DO NOT GIVE ADEQUATE CREDIT TO THE POTENTIAL FOR INTERLINE COLLABORATION TO ACHIEVE MANY OF THE ASSERTED BENEFITS OF THEIR MERGER

96. Other CPKC witnesses address the degree to which a merger is necessary to deliver high-quality rail transportation services connecting the eastern United States with the western United States. In my view, the superiority of three-carrier UP-CPKC-NS services via the Meridian Speedway is essentially dispositive. The need for interchanges—and even two such interchanges—does not get in the way of a route being the preferred service route for rail customers. The fact that Applicants claim that their merger will allow them to grow traffic immensely by diverting it *to the Meridian Speedway route*, which will still be a two-carrier/two-interchange route, reveals the underlying truth that high-quality run-through intermodal services do not need a merger, period.

97. Applicants' claims about challenges attracting manifest traffic in the so-called "watershed" region are more credible in one sense. There are challenges. As Mr. Brooks explains, however, a lot can be accomplished when a railroad is motivated to attract the traffic, even if its length-of-haul is not up to UP's long-haul standards. It does not take a merger to provide that motivation. CPKC devotes significant attention to attracting profitable traffic that moves over relatively short haul routes to/from the Mid-Continent gateways.[38]

98. Given Applicants' claims that a merger is needed to address "Watershed" traffic opportunities, I was struck by the irony of Applicants' description of the success UP has had growing traffic under the "I-5 Gateway" prop rate agreement between UP and BNSF. Applicants' description of that arrangement and the carload growth it has enabled for UP are especially relevant given that, from UP's perspective, this is traffic growth for interline BNSF-UP traffic via the Portland, OR gateway, where one railroad (BNSF) has a relatively short haul (and relatively modest profit incentive) to participate in the traffic. Yet working together on an interline basis, these railroads have been successful in pursuing growth according to Applicants.[39]

99. There is no reason why similar haulage-style arrangements could not be pursued by UP or NS working together or with other interline partners. Applicants may say that BNSF agreed to give UP its rate-quoting rights under the I-5 arrangement only because it got something of value from UP in 1996 when it acquired UP's Bieber Line, giving BNSF its own single-line route from the Pacific Northwest to Southern California. If Applicants are right about the growth

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[38] *See* Brooks V.S. ¶¶ 113-15.

[39] Rev. App. 1-351 to -53 (Rocker/Elkins Second Errata V.S. ¶¶ 174-78).

potential of winning more Watershed traffic, I would expect that there would be plenty of new revenue to incentivize both railroads to participate. One obvious solution would be for the railroad with the long haul to give the other railroad a greater percentage of the total interline revenue; railroads do this all the time.

100. If some other kind of value exchange were needed, there would be lots of ways a railroad in UP's position could provide NS (or vice versa) with something of value in exchange for gaining the right to quote short-haul gateway rates that support attractive interline offerings. One solution would be to structure a trade: if UP is trying to reach customers in the East that are close to Chicago or another Mid-Continent gateway via haulage rights (or prop rates) on NS, perhaps there are territories in the West that are close to a Mid-Continent gateway to which NS would benefit from receiving a reciprocal grant of rights from UP. For example, UP might give NS "I-5 style" rates for traffic moving to UP-served customers in Wisconsin and northern Illinois in exchange for NS giving UP rates for traffic moving to NS-served customers in Tennessee and Mississippi. Were the revenues available to UP and NS from the "growth" this kind of arrangement might unlock as large as Applicants claim and reasonably comparable, there would be ample incentives to support such a deal. Yet Applicants provide no evidence that UP and NS have even tried to work out such an arrangement.

VI. THE FACT THAT CANADIAN RAILROADS OPERATE FROM COAST TO COAST PROVIDES NO SUPPORT FOR A TRANSCON MERGER IN THE UNITED STATES

101. Applicants' suggestion that Canada's two transcontinental railroads are a lodestar lending support for approving this "first American" transcontinental merger is misguided.[40] Canada's geography, network development, and regulatory framework differ markedly from those of the United States, making any comparison essentially irrelevant. I would contend that, when understood in context, the Canadian experience should counsel strongly *against* discarding the U.S. system of interline railroading in favor of the more regulatory Canadian regime. I address those differences here and leave it to Mr. Brooks to address Applicants' separate claims about their need to merge to help U.S. ports compete against Canadian ports.[41]

A. Transcontinental Canadian Railroading Is a Product of Canada's Own Unique History and Geography

102. Canada's two transcontinental railways did not acquire their coast-to-coast reach simply through merger. Both were built as transcontinental lines reflecting Canada's distinctive nation-building history and geography. They certainly should not be interpreted as evidence that a two-transcon-carrier model is competitively optimal.[42]

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[40] Rev. App. 1-222 (Vena V.S. ¶ 25) ("I have personally witnessed the benefits to Canada of two transcontinental railroads. American industry deserves an equally efficient supply chain within its own borders."); *see also id.* 1-258 (George V.S. ¶ 38) ("Canada's economy and its ports have long enjoyed the advantages of two coast-to-coast railroads, enabling them to capture growth, attract investment, and serve global markets with seamless efficiency.").

[41] *See* Brooks V.S. ¶¶ 156-59.

[42] Rev. App. 1-222 (Vena V.S. ¶ 25) ("I have personally witnessed the benefits to Canada of two transcontinental railroads. American industry deserves an equally efficient supply chain within its own borders.").

103. Canadian Pacific's line from Eastern Canada to Vancouver was built between 1875 and 1885 and fulfilled an 1871 promise made to the Province of British Columbia when it agreed to enter the Canadian Confederation. Canadian National's East-West transcontinental spine has a more complex history. CN was formed through the nationalization of several bankrupt or near bankrupt Canadian railways between 1918 and 1920, branding itself "The People's Railway." Until the 1870s, the eastern terminus of what became CN's network was in Portland, Maine (not Canada). As with CP's construction to the west in the 1870s, the eastern portion of CN's transcontinental Canadian route (from Quebec City to Halifax) was built in the 1870s by the Intercolonial Railway to unite the Canadian Provinces. The British North America Act of 1867 expressly called for such a railway as "essential to the Consolidation of the Union of British North America, and to the Assent thereto of Nova Scotia and New Brunswick."[43]

104. Canada's demographics and geography also shape Canadian railways in ways that are materially different from the conditions in the United States. Despite Canada's large geographic area, its population is only about one-tenth that of the United States and roughly two-thirds of Canadians live within 100 kilometers of the U.S. border—the rest of the country has extremely low population density. And the Canadian economy has traditionally been oriented heavily towards trade with the United States. About half of Canadian manufactured products were sold abroad in 2024, with roughly 80 percent of those exports going to the United States. Those facts help explain how Canadian markets are well served by a single east-west rail spine serving the narrow southern band of the Canadian provinces.

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[43] *British North America Act*, *1867*, 30 & 31 Vict. c. 3, § 145 (U.K.) (repealed 1893).

105. And Canada has no natural geographic break between east and west. Canadian railroading has never had any place like Chicago, a hub between east and west at the southern fringe of the Great Lakes. Indeed, to the extent Canadian railroading has such a hub, it is Chicago—where both CN's and CP's U.S. lines reach in order to connect with other U.S. railroads. Nor does Canada have a St. Louis or New Orleans, two historic gateway cities located at strategic river crossings separating East from West. The Mid-Continent U.S. gateways are efficient and their pro-competitive architecture provides the U.S. rail network with a unique advantage, supporting efficient connections among multiple joint-line routing options.

106. Nor does a transcontinental footprint mean that rail traffic in Canada consistently moves without interchange. For example, approximately [redacted] percent of CPKC's domestic Canadian traffic involved another carrier, including regulated interswitching and shortline haulage.[44] This is in the ballpark of the percentage of UP's and NS's traffic that involves an interchange. The Board's 2025 Freight Commodity Statistics show that approximately 38 percent of UP's traffic and 39 percent of NS's traffic involved another carrier.[45] While not identical, these data undermine the suggestion that Canada's transcontinental railroads owe their effectiveness to eliminating interchange.

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[44] *See* workpaper "(C) Canadian Interchange Data."

[45] *See* workpapers "STB_FCS_PUBLIC_NS_2025" and "STB_FCS_PUBLIC_UP_2025." *See also* Surface Transportation Board, 2025 Freight Commodity Statistics, *Union Pacific & Norfolk Southern (2025)*, https://www.stb.gov/reports-data/economic-data/freight-commodity-statistics/. The UP and NS figures reflect traffic reported in Freight Commodity Statistics as received from or delivered to another carrier, or both. CPKC acknowledges that the measures are not identical. The calculation for CPKC's Canadian traffic includes traffic that CPKC exchanges with shortlines on a haulage basis where the shortline does not appear in the revenue route, and also includes some regulated-switching traffic that CPKC cannot confirm as entirely domestic because CPKC cannot see the other carrier's ultimate origin or destination.

107. The Canadian network also demonstrates that independent railroads can cooperate to use infrastructure efficiently. CPKC and CN use directional-running arrangements in British Columbia under which trains of both railroads use one carrier's line in one direction and the other carrier's line in the opposite direction. They also use operating agreements that permit yard-to-yard interchange and access to interchange tracks in each other's yards. Those arrangements require coordination and investment, but they do not require common ownership. They illustrate why the Board should examine what collaboration between independent carriers can achieve before accepting elimination of interchange as a reason to approve this merger.

B. Canada's Rail Regulatory Framework Is Not a Model the United States Should Emulate

108. Applicants' comparison to the Canadian railway experience also ignores the fact that Canada's rail network has been fundamentally shaped by Canada's unique regime of railroad regulation and cannot sensibly be separated from the regulatory scheme governing access, interchange, and rates, among others. Applicants attribute advantages to the geographic reach of Canadian railways without accounting for that regulatory framework or explaining why the same network structure would produce the same results under U.S. law.

109. Canada's regulatory regime entails a host of regulatory tools that are not part of the U.S. rail regulatory framework, most notably Interswitching, Final-Offer Arbitration (or "FOA"), Long-Haul Interswitching (or "LHI"), and the Maximum Revenue Entitlement (or "MRE") for eligible Western Canadian grain movements.

110. The Board is likely well aware of one key difference: mandatory short-haul interswitching. Subject to certain statutory eligibility requirements, a shipper with access to an interchange within 30 kilometers may obtain an interchange movement at a regulated rate set annually by the Canadian Transportation Agency ("CTA"). Under that scheme, eligible shippers

need not make any showing of excessive rates or inadequate service, or even obtain an individual ruling granting them relief. They simply exercise their entitlement to mandatory interswitching. This regulated access is built into, and has been for over 100 years, the framework under which Canadian railways and their customers make operating and investment decisions.[46]

111. Canada's Final-Offer Arbitration mechanism also is fundamentally different from the U.S. regime of rate reasonableness regulation. FOA allows railroad customers dissatisfied with the rate or other terms and conditions offered by a railway to compel arbitration over those matters. Unlike U.S. rate reasonableness regulation, there is no threshold requirement to show that the railway has "market dominance" (quantitatively or qualitatively), and there is no set of standards governing how an arbitrator will decide what rate or other terms and conditions to impose on the railway.

112. One striking difference involves timing. From the initiation of an FOA complaint in Canada to an arbitrator's decision takes just 60 days from the railway's formal receipt of the shipper's complaint. The dispute is resolved using "baseball arbitration," with the arbitrator choosing the shipper's proposed rate or the railroad's proposed rate. The rate can be in effect for up to two years. In theory a shipper could have been preparing their rate complaint for over a year and the railway, once in receipt of the complaint, will have only a short period of time to provide its response, hire experts, file written submissions, and participate in a hearing, all with a decision coming at the end of that 60-day period.

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[46] Canada Transportation Act, S.C. 1996, c. 10, §§ 127(3), 127.1(1) (Can.); Railway Interswitching Regulations, SOR/88-41, § 7 (Can.); Canadian Transp. Agency, *Interswitching* (Oct. 22, 2025), https://otc-cta.gc.ca/eng/interswitching.

113. The treatment of joint-line rates in this rate regulatory framework is also fundamentally different from the way U.S. regulation functions. In the United States, "bottleneck" principles do not require railroads to support every possible interline routing, especially when they have their own single-line route from origin to destination. In Canada, by contrast, shippers may choose the joint-line routing and insist on interchange occurring at any junction where infrastructure would support such a connection.

114. Yet another major difference is Canada's Long-Haul Interswitching mechanism, which replaced a previous mechanism known as "Competitive Line Rates." Subject to statutory eligibility requirements and exclusions, a shipper with access to only one Class I railway at origin or destination may apply to the CTA for an order requiring that railway to move the traffic to the nearest interchange in Canada at a CTA-determined rate, over a distance up to the greater of 1,200 kilometers or 50 percent of the Canadian rail movement. This is a mechanism for requiring the incumbent carrier to carry traffic to a new interchange, forcing the exchange of the traffic with a competing railroad and thus purposefully breaking up what would have been a single-line movement in the name of introducing competition. That is the exact opposite of what Mr. Vena has suggested and held up as the supposed Canadian advantage. In other words, contrary to Applicants' characterization of the Canadian framework, Canadian regulation actually supports *mandatory interline service* even beyond the short-haul interswitching zone.[47]

115. Canada also limits the aggregate revenue that CN and CPKC may earn from eligible movements of Western Canadian grain through the MRE. The CTA determines each railway's annual entitlement using a statutory formula that accounts for tonnage, average length

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[47] Canada Transportation Act, S.C. 1996, c. 10, §§ 129(1), 134(1)–(2), 135(1) (Can.).

of haul, and a railway-specific inflation adjustment. The railway may set individual grain rates, but revenue above the entitlement must be paid, with a penalty, to the Western Grains Research Foundation. Applicants cannot reasonably attribute the Canadian railways' market position simply to their transcontinental reach while ignoring a framework that also constrains the revenue they may earn from one of the country's largest sources of rail traffic.[48]

116. These differences do not lead me to suggest that the United States should adopt Canada's regulatory regime. To the contrary, they show why Applicants cannot treat Canada's transcontinental footprint as proof that a U.S. transcontinental merger would benefit shippers. Any meaningful comparison must consider the access obligations and rate constraints under which the Canadian railways operate, as well as the differences in geography and traffic flows.

C. Canada's Transcontinental Railways Do Not Give Canada Any Economic Advantage Over the United States

117. Applicants' suggestion that Canada's economy benefits unfairly from having two transcontinental railways also fails to acknowledge the relative strength of the U.S. economy, supported by the well-functioning rail network that the United States has today. If one measured the effectiveness of a country's rail network based on the health of its economy and manufacturing businesses—as Applicants appear to do[49]—the United States would rank far above Canada. U.S. industrial growth outstrips Canada's growth despite rail network differences, which undermines any contention that Canada's two-carrier structure produces

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[48] Canada Transportation Act, S.C. 1996, c. 10, §§ 150-51 (Can.); Railway Company Pay Out of Excess Revenue for the Movement of Grain Regulations, SOR/2001-207, §§ 2-4 (Can.).

[49] Rev. App 1-221 (Vena V.S. ¶ 25) ("A key motivation for this merger is our mission of Building America. Our nation is focused on industrialization, and as railroaders, we play a vital role. Everything we haul directly fuels our economy, driving America's growth.").

categorically superior economic or industrial performance. In 2025, U.S. real GDP grew 2.3 percent—outstripping Canada's 1.7 percent. At the same time, real value added in private goods-producing industries grew 1.2 percent in the United States while inflation-adjusted Canadian manufacturing sales fell 2.5 percent and manufacturing output declined in 10 of 13 provinces and territories. These numbers show that the current structure of the U.S. rail network is fully capable of supporting stronger economic growth than Canada's two-transcon configuration and provide no empirical justification for permanently discarding the structure of the U.S. rail network.

VII. APPLICANTS HAVE NOT DEMONSTRATED THAT THEIR CLAIMED OPERATING COST SAVINGS WOULD BENEFIT THE PUBLIC

118. Finally, I address Applicants' claimed operating cost savings. Some savings may be achievable, and I do not suggest that every estimate Applicants present is implausible. But a reduction in Applicants' expenses is not, by itself, a public benefit. The Board must consider whether a claimed saving requires a merger, whether it is supported by Applicants' implementation plan, and whether it would benefit customers through better service, lower rates, increased investment, or greater competition rather than accruing only to Applicants and their shareholders.

A. Many Claimed Operating Expense Benefits Require No Merger

119. First, Applicants claim that the sharing of IT systems across the combined railroad will generate merger-related cost savings. But common ownership is not required for one railroad to deploy software developed by another railroad. It is commonplace for railroads to offset the development costs associated with software and other operating tools by licensing them to other railroads. For years CP used a crew management tool developed by UP, and the

operating system CPKC uses today was built upon the foundation of an NS operating system that CP acquired rights to more than two decades ago.

120. The idea that NS's access to UP's NetControl platform is a merger benefit ignores this general history, and also ignores the fact that UP has even sought to license NetControl (its crown jewel) to other railroads.[50] UP's prior willingness to make NetControl available to another railroad raises the question why NS could not obtain access through a licensing arrangement rather than a merger.[51] To the extent NS evaluated and chose not to license NetControl, that decision would suggest that UP's use of its control to foist NetControl upon NS may have downsides that have not been fully disclosed in the Revised Application.

121. There are many other similar examples of Applicants claiming as merger benefits initiatives that they could implement without a merger. For example, the expanded use of remote-control on NS's network, which Applicants claim will reduce crew requirements and personnel costs,[52] is an "innovation" that does not require a merger. Remote-control locomotive operation is mature, industry-wide technology. FRA reported that both UP and NS were among the major railroads that submitted remote-control-operator training programs in 2001 and that the

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50 *See also* Pat Foran, *How information technology helps connect the strategic dots at Union Pacific Railroad*, PROGRESSIVE RAILROADING (June 2013), https://www.progressiverailroading.com/union_pacific/article/How-information-technology-helps-connect-the-strategic-dots-at-Union-Pacific-Railroad—36415 (UP provided NetControl to FXE to support interline connections with that railroad) (Exhibit 11).

51 *Id.*

52 Rev. App. 1-509 (Janke Second Errata V.S. ¶ 46)..

submitted programs were identical.[53] Deployment of remote control technology at particular NS yards is an operating, training, labor, and capital-allocation decision NS can make independently. In other words, if it made sense for NS's network and operational systems to utilize that technology, NS would *have done it or could do it* without needing to merge. The merger removes no technological or regulatory barrier, and framing access to this technology as a merger benefit is not accurate.

122. Similarly, the Application overstates the expected benefits from "applying UP operating best practices and intermodal gate technology to the NS network."[54] In my experience, best practices can be transferred through benchmarking, consulting, implementation assistance, and targeted agreements. Applicants' own technology summary confirms that both carriers already possess mobile-gating systems—UPGo and ExpressNS—and describes projects to connect, link, integrate, expand, and implement identified systems.[55] Those projects can be specified and contracted without eliminating either railroad.

B. Cost-Savings Estimates Do Not Establish Public Benefits

123. In a number of categories of claimed cost savings, Applicants' witness Mr. Janke selects whichever of UP's or NS's results have proven best in the past and then assumes that the

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[53] Federal Railroad Administration, *Final Report: Safety of Remote Control Locomotive (RCL) Operations* (Mar. 2006), https://railroads.dot.gov/sites/fra.dot.gov/files/fra_net/1596/05_007775finalreport_RCL.pdf (identifying UP and NS among the railroads submitting programs on November 30, 2001, and stating: "All six railroads submitted identical programs, which FRA has approved").

[54] Rev. App. 1-508 (Janke Second Errata V.S. ¶ 41).

[55] Union Pacific Corp., *Innovative Technology Is Powering Safety, Service & Operational Excellence*(Oct. 2, 2025) ("Expanding Union Pacific's Precision Gating Technology will boost fluidity at major intermodal terminals, where UPGo and ExpressNS *already* automate mobile check-ins.") (emphasis added) (excerpts are Exhibit 16 hereto).

combined company will automatically achieve that result across its entire network. For example, Mr. Janke identified cost savings associated with the entire UP-NS network achieving UP's employee-injury rate and NS's derailment rate, without considering exactly why one of the two railroads achieves better performance than the other, and without showing that (much less how) the other could do as well.[56] That is not a causal analysis. Differences in the railroads' historical safety outcomes do not establish that combining them would reproduce the better result across the entire network, or that any improvement would depend on the merger.

124. Nor do Applicants explain how such substantial safety improvements would or could depend on a merger. Each carrier can improve through its own technology, training, inspection, and safety programs. Even if cross-carrier practices are sound, they can be adopted without consolidation and are not merger-specific benefits.

125. Applicants estimate $100 million in procurement savings.[57] Based on CPKC's experience, I cannot definitively say whether significant procurement savings at that scale are plausible. In any event, the more important question is what those savings would mean for the public. Even if Applicants achieve their estimate, the Application does not make or support any claim that any reduction in UP-NS procurement spending would pass through to shippers in the form of better rates, service, or competitive options.

126. Cost savings can create financial capacity to invest in new services. In CPKC's case, that capacity has supported new service offerings, and our network continues to face major competitors, including UP and BNSF. Competition gives us incentives to use our resources to

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[56] Rev. App. 1-508 (Janke Second Errata V.S. ¶ 40).

[57] *See* Rev. App. 1-511 (Janke Second Errata V.S. ¶ 51).

improve those offerings and win customers. The position of a combined UP-NS would be different: it would control more sole-served traffic and more of its customers' routing alternatives. The Board should not assume that savings earned in that setting would create the same incentive to compete or benefit shippers. That distinction matters more than an argument over whether UP would be better able to squeeze further cost reductions out of its supplier base.

C. Many Claimed Operating Expense Benefits Are Affirmatively Inconsistent with the Public Interest

127. Applicants characterize approximately $150 million of reduced technology spending as an efficiency, principally through rationalized software development and license agreements.[58] In my experience, it would be a mistake to equate decreased spending with public benefit. Here, in addition to the question of whether cost savings would be passed on to customers, there is the more fundamental concern that the reduced spending would constitute an affirmative harm because it would reflect less innovation and over time inferior outcomes in terms of safety, service, reliability, or cybersecurity.

128. Applicants' public materials show that UP and NS today deploy distinct portfolios of technology-enabled solutions. As explained above, separate independent carriers are independent sources and opportunities for innovation. They can test different tools, compare results, pursue different vendors, and respond independently to customers. A merger destroys those opportunities. If savings rest on cancelling projects, standardizing on one platform, or avoiding parallel R&D, it is at least as plausible that the reduction will over time result in affirmative public *harms*—including potential loss of innovation, resilience, and optionality—as

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[58] *See* Rev. App. 1-503 (Janke Second Errata V.S. ¶ 24).

it is that those reductions represent public benefits. Removing NS's independent source of innovation will likely mean greater standardization around UP's "Made in Omaha" approach.

129. Applicants also claim substantial benefit related to the effect of their transaction on agreement employees. On the one hand, Applicants claim as a qualitative benefit of their merger that they will add approximately 1,200 net new union jobs, but those new jobs are entirely dependent on the massive, and I would suggest highly speculative, traffic gains Applicants' expert forecasts.[59] Applicants' quantification of merger benefits, by contrast, asserts $131 million in anticipated savings from reducing the number of agreement employees on the combined network. Specifically, Applicants claim that operating plan efficiencies will allow them to eliminate over one thousand positions by the end of Year 3.[60] This anticipated reduction includes positions that are critical to carrying out operations that meet the needs of rail customers.

130. Applicants have not demonstrated that these reductions in their workforce would constitute a public benefit rather than a dangerous thinning of the resources needed to support service resiliency. We have recently seen how imprudent labor force reductions can harm railroad service levels. A major root cause of the service crises of 2022 and 2023 on both UP and NS was a shortage of human resources driven by these railroads' decisions to become too lean, leaving too little margin for error. The simple lesson is: staffing is a critical service resource, not simply an expense line. I have personally witnessed how train crews, mechanical

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[59] Rev. App. 1-541 (Parkerson Second Errata V.S. ¶ 10).

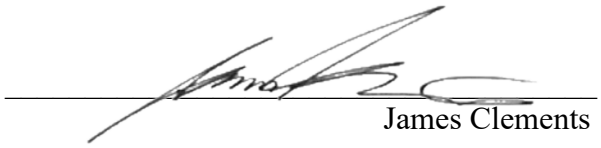
[60] *See* Rev. App. 1-541 (Parkerson Second Errata V.S. ¶ 9). As I understand UP's jobs-for-life promise to certain unions, it would not get in the way of UP eliminating positions, reassigning workers to other jobs, and achieving overall force reductions through attrition.

and engineering forces, signal employees, dispatchers, and yard personnel provide capacity and institutional knowledge during demand spikes, weather, outages, and congestion. In consideration of all those benefits inherent to a robust and well-resourced labor force, Applicants' $131 million is a private labor-cost reduction coupled with unquantified service risk, not a demonstrated public benefit.

VERIFICATION

I, James Clements, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this statement.

Executed on this 18 day of November, 2026.



James Clements

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 1

241872

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BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 711 (Sub-No. 1)

RECIPROCAL SWITCHING

OPENING COMMENTS AND EVIDENCE OF UNION PACIFIC RAILROAD COMPANY

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October 26, 2016

Contains color images

when CSXT and NS divided Conrail in 1998. As a result, the Board provided special protections for affected shippers. The Board concluded that the harm to those shippers was outweighed by the benefits of new single-line service to six times as many shippers, but not before it prescribed a rate preservation remedy that had been negotiated to protect the adversely affected shippers. *See CSX Corp. & Norfolk Southern Corp.–Control & Operating Leases/Agreements–Conrail Inc.*, 3 S.T.B. 196, 271 (1998).

B. Union Pacific Reconfigured Its Network at Great Cost and Effort to Deliver the Benefits of Single-Line Service for Shippers.

For the last three decades, U.S. Class I rail systems have been streamlining their networks, primarily to provide the public (and private) benefits of single-line service. They removed or spun off the excess capacity that had burdened the industry for the prior six decades and more. They invested billions of dollars to provide the single-line service that was a pivotal basis for ICC and Board merger approvals. They eliminated freight yards that had provided en route switching as they redesigned train service to carry cars farther with fewer work events. They eliminated or scaled back interchange facilities that became unnecessary or inefficient.

Union Pacific reconfigured six railroads to deliver on the commitments it made in obtaining ICC and Board authority for its consolidations. Since 1982, when Union Pacific started to implement the Union Pacific/Missouri Pacific/Western Pacific consolidations, we have been developing a rail network that maximizes single-line service and expedites customer shipments. We rebuilt the deteriorating Western Pacific and much of the Missouri-Kansas-Texas, which otherwise would have failed. We rebuilt Chicago & North Western's line to Chicago and substantially upgraded Southern Pacific's infrastructure.[13]

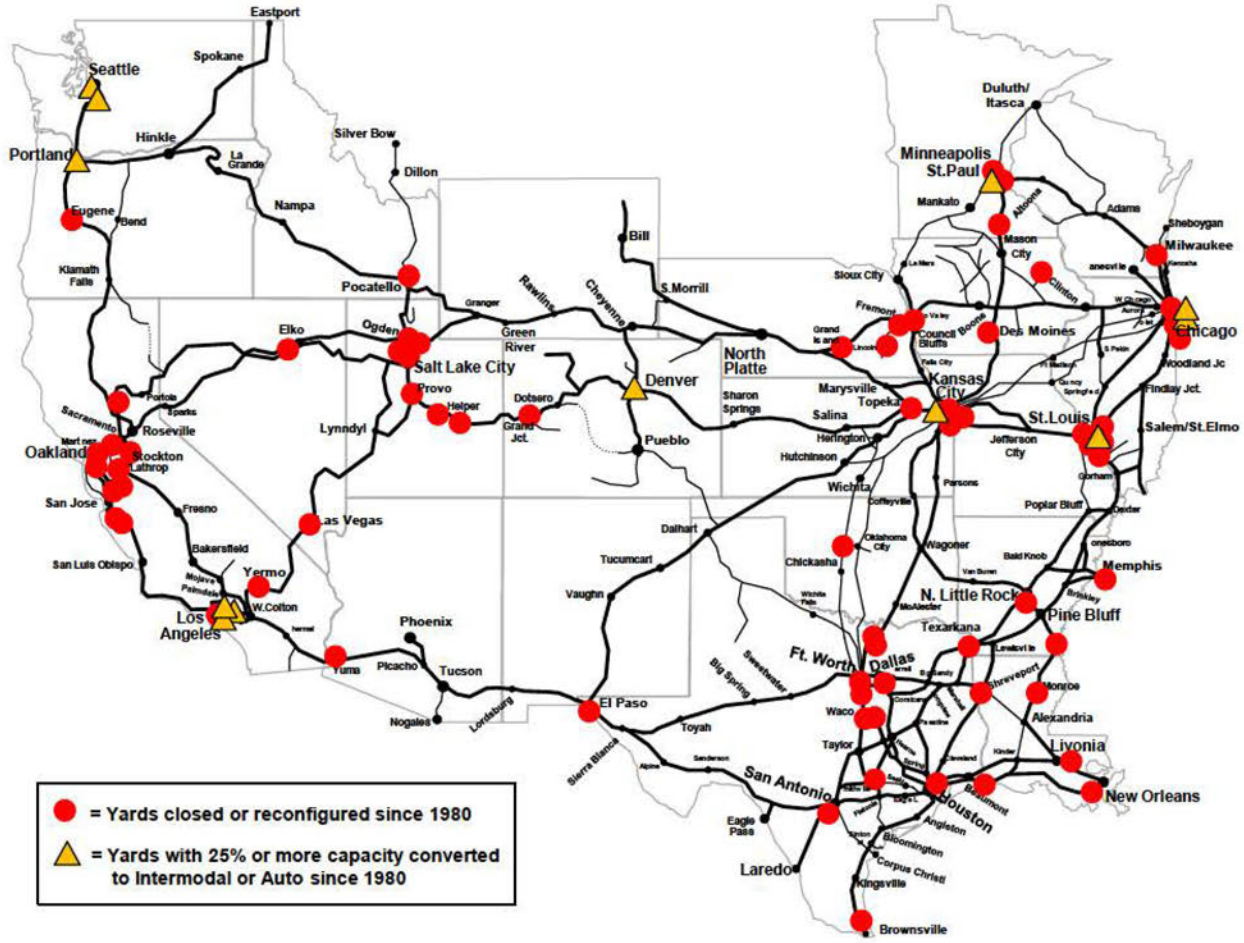
[13] *See* Verified Statement of James R. Young in STB Docket No. EP 705, App. A at 7-8.

Union Pacific's merger integration efforts continued well into the last decade, requiring even greater investment than management had expected, particularly to provide reliable single-line service involving Chicago & North Western and Southern Pacific terminals and routes. For example, we expanded yards in Mankato and Altoona on the former Chicago & North Western, and we continue to double track the former Southern Pacific's Sunset Corridor.

Union Pacific would not have proceeded with the consolidations that created our current system had we been subject at the time to the proposed forced switching rules. The rules would have so severely undermined our ability to realize single-line efficiencies and provide single-line service that the economics of the consolidations would not have justified going forward.

To provide the benefits of single-line service that the ICC and Board identified, Union Pacific systematically eliminated interchanges between component carriers, developed train plans and car blocking plans so traffic could bypass yards, and removed or downsized yards that were no longer needed. As shown on the map in Figure 2 on the next page, many of these yards were in terminal areas, where land could be sold or used for other purposes. Union Pacific repurposed a number of these yards into intermodal, automotive, or transload facilities. The map shows how Union Pacific eliminated or scaled back en route yards that were no longer needed because shipments could move over longer distances without switching. At many more locations, Union Pacific, BNSF, and their predecessors have removed tracks at junctions where interchange with the other railroad was no longer required or no longer efficient. Since 1989, for example, BNSF and Union Pacific have eliminated approximately 53 interchange locations between the two railroads, and KCS and Union Pacific have eliminated at least seven.

Figure 2: Union Pacific Yards Closed or Reconfigured Since 1980

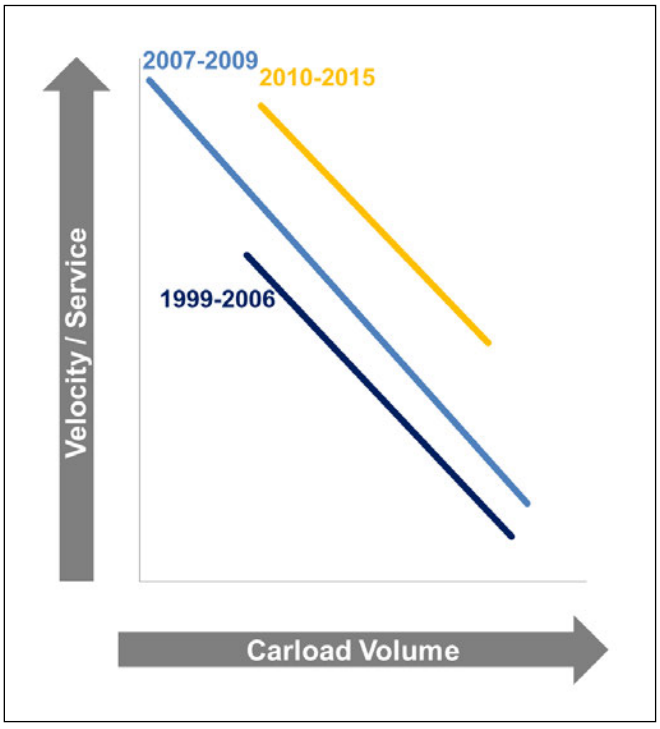


Since 1982, Union Pacific has invested tens of billions of dollars of private capital to replace, improve, reconfigure, and upgrade its network. Almost all of these investments (Positive Train Control investments are a notable exception) have advanced the goal of providing single-line service to our customers. As Mr. Haley explains:

> We aligned our capital spending with our basic operating strategy of concentrating traffic where possible on higher-capacity, higher-density corridors. We developed train plans and car blocking plans so traffic can bypass yards, reducing time-consuming interchanges. We removed or downsized yards we no longer needed, while at the same time we invested in modernizing and increasing the productivity of yards and terminal facilities that now handle increased volumes of traffic. (Haley VS at 2.)

Union Pacific today delivers the efficient, reliable, single-line service that the ICC and the Board endorsed as public benefits in multiple merger decisions. The foundation for providing this service is the heavy investment and rigorous planning that lets us move each shipment with the fewest possible stops for switching or other work events, enabling us to move more freight at better service levels than ever before. Union Pacific's continuing investments in our network and focus on managing for fluid operations allows us to improve service, even as we face new challenges, such as the current surge of growth in our Southern Region. As shown below in Figure 3, as we align our investments with our operating plans, average volume and average velocity move up and to the right, which means we are moving more freight, faster.

Figure 3: Union Pacific Service-Volume Relationship



Implementation of the Board's proposal would undermine the foundation on which Union Pacific has built our improved service. For every interchange where forced switching was imposed, the car to be interchanged would be delayed, extra resources would be consumed, and

congestion in yards would increase. The car to be interchanged (assuming it originates at a shipping location on Union Pacific) must be withdrawn from our normal operating plan and switched into a group of cars for interchange. Similar issues would arise for cars terminating at locations on Union Pacific. Replicating these interruptions, and the associated delays, thousands of times per day throughout the Union Pacific system would severely undermine the efficient single-line service we have developed over the last several decades. We discuss the operating consequences in detail below in Part IV and in Mr. Haley's accompanying verified statement.

The ICC and the Board approved and endorsed the consolidation of the U.S. rail system to increase single-line service and eliminate interchanges. Having embraced and applied a strong public policy favoring single-line service—which Union Pacific delivered to the public's benefit at enormous cost—the Board cannot and should not return to the unsuccessful and inefficient pre-1980s rail structure by displacing single-line service with interchange service.

III. THE BOARD'S PROPOSAL IS AN UNJUSTIFIED AND UNLAWFUL DEPARTURE FROM PRECEDENT.

The Board's proposal to promote the use of forced switching is unlawful because the agency has not provided a reasoned explanation for its departures from precedent. The Board's proposal departs from agency precedent in two respects. First, it is fundamentally inconsistent with the agency's longstanding policies favoring single-line service on which Union Pacific and other railroads have relied. Second, it replaces the agency's current forced switching rules, which apply that highly intrusive remedy only when necessary to remedy a specific competitive abuse, with an approach designed to produce a wholesale change in the railroad industry's competitive landscape. However, even if the Board had valid reasons to depart from its precedent, it could not adopt the proposed rules. The Board says that its proposed rules "adhere more closely to the statutory language," NPRM at 16, but its proposal reflects impermissible interpretations of that

language. Finally, the Board failed to weigh and balance the impacts of its proposal on the rail transportation policy factors enumerated in 49 U.S.C. § 10101. If the Board had undertaken the required weighing and balancing, it would have been evident that its proposal is inconsistent with U.S. rail transportation policy.

A. The Board Does Not Provide a Reasoned Explanation for Its Departure From Precedent.

An agency may not depart from a prior policy without acknowledging "that it *is* changing position" and showing "that there are good reasons for the new policy." *FCC v. Fox Television Stations, Inc.*, 556 U.S. 502, 515 (2009). "[A] more detailed justification" is required when the "prior policy has engendered serious reliance interests that must be taken into account." *Id.* As the Supreme Court explained, "[i]t would be arbitrary or capricious to ignore such matters." *Id.*

In the NPRM, the Board fails to acknowledge the fundamental inconsistency between the agency's prior policies favoring consolidation and single-line service and its proposal now to promote the use of forced switching. Nor does it acknowledge the reliance interests at stake. As discussed in Part II, Union Pacific and other railroads relied on the prior policies in spending billions of dollars to restructure their systems and operating plans. The Board's proposed rules would significantly change the structure and operations that Union Pacific developed under express agency authority and at great cost by requiring new interchanges at numerous locations across its system. The Board's failure to address the railroads' serious reliance interests in connection with this policy change and the likely consequences of the change is particularly notable because Union Pacific discussed these issues extensively in its comments filed in Docket

percent.[32] By 2007, UP had implemented CIMS across its network. As of 2012, UP's overall average dwell time remains low, and our switching reliability was a record-high 95.2 percent. CIMS is currently playing an important role in helping UP manage the flow of traffic into its Southern Region, where demand for rail service has rapidly increased due to increases in the production of crude oil and natural gas. UP is responding to the growing demand by directing additional resources into the region, and customers have been cooperating with our requests that they control the flow of traffic into the region. UP is continuing to address the operating challenges to meet demand in the Southern Region, and CIMS is one of the tools we depend on to keep operations fluid.[33]

Today, UP provides reciprocal switching at some destinations and thus cannot always make full use of CIMS. However, NITL's proposal would likely increase the amount of traffic that flows into UP's yards that UP cannot monitor and control using CIMS. NITL's proposal would thus reduce UP's ability to maintain fluid operations in its yards.

IV. OTHER IMPACTS OF NITL'S PROPOSAL ON THE RAIL NETWORK AND CUSTOMERS.

In its Notice, the Board invited parties to address the issue of pricing for forced reciprocal switching and the use of the 4-year average RSAM benchmark, rather than R/VC$_{\geq 240}$, as the basis for making a conclusive presumption of market dominance, and it also asked parties to quantify

[32] *See* Letter from Jim Young, President & Chief Exec. Officer-UP to Hon. W. Douglas Buttrey, STB Chairman (July 17, 2006), *available at* http://www.stb.dot.gov/PeakLetters1.nsf/99defb088828bb038525719c0061c528/5b272d6d0d881e9e852571b1004483e0/$FILE/UP%20-%20Fall%20Peak%20Planning%202006.pdf.

[33] UP's current efforts to address the increased demand for railroad transportation in the Southern Region also illustrates one of the dangers associated with increased reciprocal switching that we describe on page 27: the danger that "surge capacity" resources UP uses to adjust to changes in market conditions or operating incidents would be consumed in addressing changes in transportation patterns brought about by regulatory intervention on behalf of a subset of shippers.

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 2

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MAJOR RAIL CONSOLIDATION PROCEDURES

UNION PACIFIC'S REPLY COMMENTS ON PROPOSED MERGER RULES

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December 18, 2000

fully understands the impact of the proposed merger. An almost equally broad consensus, however, believes that the Board's proposed rule on downstream merger applications (proposed § 1180.6(b)(12)) relies too much on speculation. BNSF and CN agree.

The proposed rule requires applicants to "anticipate what additional Class I merger applications are likely to be filed in response to their own application and explain how, taken together, these applications could affect the eventual structure of the industry and the public interest." Under another proposed rule, applicants must calculate public benefits "in light of the anticipated downstream mergers." Proposed § 1180.1(i). These rules require a rigorous downstream analysis, but if the applicants guess wrong, that analysis will have little value. The analysis may also ignore important public policy questions. And applicants may deny that any responsive merger is likely.

The important public policy questions in the next major Class I merger proceeding will focus on whether a North American railroad duopoly is in the public interest. The Board will choose between a future in which two huge transcontinental systems develop single-line services in isolation from each other and a future in which all remaining railroads strive to develop more efficient services over remaining interline routes. This is an important choice that can be made only once, because mergers are likely to be permanent. Asking applicants to predict and discuss specific future merger permutations could easily miss this central inquiry.[10]

While most commenters endorse downstream analysis and worry about speculation, they generally fail to offer alternatives for the Board to consider. Thus, the U.S. Department of Transportation ("DOT") recommends that "the STB should set forth more

---

[10] For example, if BNSF and CN again propose to merge, they might confine their "downstream" analysis to a hypothetical UP/CP merger.

specifically what is required of applicants and how it will consider the evidence submitted." DOT, p. 21. In contrast, UP provided the Board with a simple yet instructive solution. The Board and applicants should evaluate the impact of a major Class I merger on the assumption that it is part of an "end game" resulting in only two major North American railroads. If the Board then approves a merger, it should condition the merger to protect the public interest in that final industry structure.[11] Thus, the Board should strike the last two sentences in proposed § 1180.1(i) and replace its proposed § 1180.6(b)(12) with the following language:[12]

> Applicants proposing a major transaction must evaluate the effects on competition and the public interest of combining all Class I railroads in the United States and Canada into two North American Class I railroads. Applicants need not identify specific combinations, but should evaluate the implications of an industry structure consisting of two major railroads.

II. SAFEGUARDING RAIL SERVICE

Commenters broadly applaud the Board's proposals to prevent the service problems that followed three recent large consolidations. The proposed rules call for detailed implementation and contingency planning, post-consummation monitoring, and problem-resolution mechanisms such as a Service Council of affected parties. Proposed § 1180.1(h). The Board also encourages applicants to negotiate service agreements with shippers and connecting carriers, and it offers its good offices to resolve problems informally. NOPR, p. 20.

Yet there are concerns about this framework. Numerous shippers, shipper groups, and federal and state agencies object that the Board fails to provide any financial remedy for

---

[11] UP also reminds the Board of UP's related proposal to consolidate contemporaneous applications proposing major transactions into a single merger review proceeding.

[12] If a smaller Class I carrier believes that a specific transaction is unlikely to lead to downstream transactions, it could seek exemption from this rule.

service failures that could arise after future mergers.[13] Rail carriers fear that placing too much emphasis on service agreements would give shippers and connecting carriers too much leverage in negotiations. AAR, pp. 21-22. UP and KCS urge the Board to require disclosures of any agreement that might bias the views of commenting parties or affect the way the merger will be implemented. KCS, p. 14; UP, p. 10.

In light of the comments, UP modifies its recommendations as follows:

1. UP is persuaded that service agreements can play a useful role in protecting shippers and connecting carriers against service failures. Commenting shippers do not appear to share UP's concerns about potential misuse of these agreements. Accordingly, UP withdraws its objection to such agreements. We continue to join AAR in urging the Board to create a level playing field for negotiations. Applicants should be encouraged to negotiate agreements, but failure to do so should not be prejudicial.
2. UP continues to believe that agreements should be disclosed and filed with the Board if the non-applicant party submits comments on the merger

---

[13] American Chemistry Council/American Plastics Council ("ACC/APC"), p. 14; American Forest & Paper Ass'n, p. 5; Alliance for Rail Competition, p. 5; American Short Line & Regional R.R. Ass'n, p. 3; BASF Corp., p. 24; California PUC, p. 4; Certain Coal Shippers: (Otter Tail Power Co., Public Serv. Co. of Colo., Southwestern Pub. Serv. Co., TUCO, Inc., Tucson Elec. Power Co., and Western Resources, Inc.), pp. 16-18; IMPACT, p. 18; DuPont, p. 5; Edison Elec. Inst., p. 9; Farmrail System, Inc., pp. 8-9; Finger Lakes Ry., pp. 8-9; IMC Global Inc., p. 4; National Grain and Feed Ass'n, pp. 11-13; National Indus. Traffic League, p. 21; North Am. Freight Car Ass'n, p. 2; National Mining Ass'n, p. 2; North America Freight Car Ass'n, pp. 4-5; North Dakota Pub. Serv. Comm'n, North Dakota Grain Dealers Ass'n, North Dakota Wheat Comm'n, North Dakota Barley Council ("North Dakota Parties"), p. 2; Oklahoma Dep't of Transp., p. 2; Pennsylvania House Transp. Comm., p. 2; PPG Indus., p. 2; Subscribing Coal Shippers, p. 22; TIA, p. 2; Agriculture, p. 19; DOD, p. 6; U.S. Clay Producers Traffic Ass'n, Inc., p. 4; Weyerhaeuser Co., p. 4.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 18th day of December, 2000, a copy of the foregoing "Union Pacific's Reply Comments on Proposed Merger Rules" was served by regular mail, postage pre-paid, or a more expeditious manner of delivery on all parties and non-parties of record to this proceeding.

J. Michael Hemmer

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 3

The State of the Rails

This is a weekly report monitoring operational trends of the North American Class I railroads, with a primary focus on network health. This edition incorporates operating data through October 30.

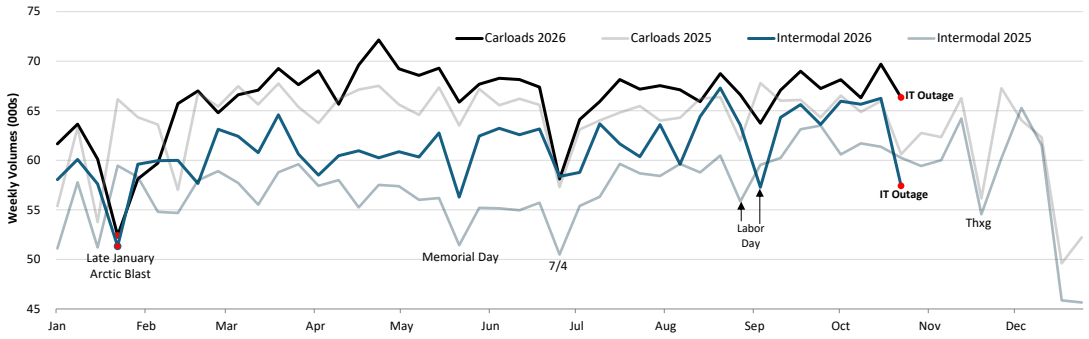
CSX & BNSF Peak Disruptions; NS Manifest Struggling

Three things to be aware of this week:

CSX IT Outage Hits Volumes; Damage to Fluidity TBD

CSX's operating data for the week ending October 30 doesn't reflect the widespread IT outage, with the company noting that it *"excludes missing, incomplete, and/or duplicative data for 10/27, 10/28, and 10/29 due to the CSX systems outage."* I guess you can't report numbers that were never recorded. All we really care about is whether there will be a lingering impact on network fluidity, and as we discussed last week there's cause for optimism based on two similar Norfolk Southern IT outages from 2023. Next week's data will answer that question.

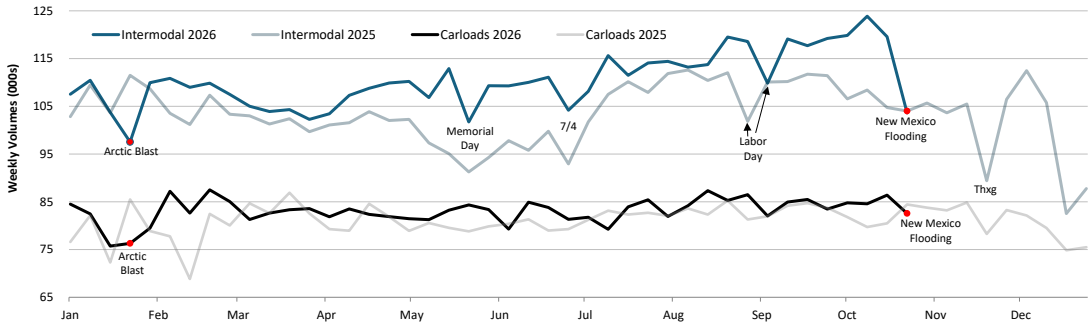
In contrast, CSX's volume data wasn't blanked, and in the chart below you can see the big hit from the outage, particular in intermodal, which dropped 13% from the week prior.



Source: CSX & Rick Paterson

BNSF Southern Transcon Disrupted by New Mexico Flooding

BNSF similarly saw a big disruption in peak season intermodal volumes last week due to heavy flooding in New Mexico, which impacted the Southern Transcon between October 24-27. Weekly intermodal loads also dropped 13% from the previous week as hundreds of trains were backed up before both main tracks came back into service. Non-intermodal loads were predictably less impacted, down only 4.4% sequentially.



Source: BNSF & Rick Paterson

On a related note, these flooding disruptions certainly won't make this chart look any better (Port of LA import on-dock containers awaiting rail loading at a four-year high).

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November 6, 2026

While distribution of this report is free, if you've derived some value from it and would like to support its continuation, click HERE.
No part of this report is done by AI.

Next public appearance
RailTrends 2026, NYC, Nov 20.

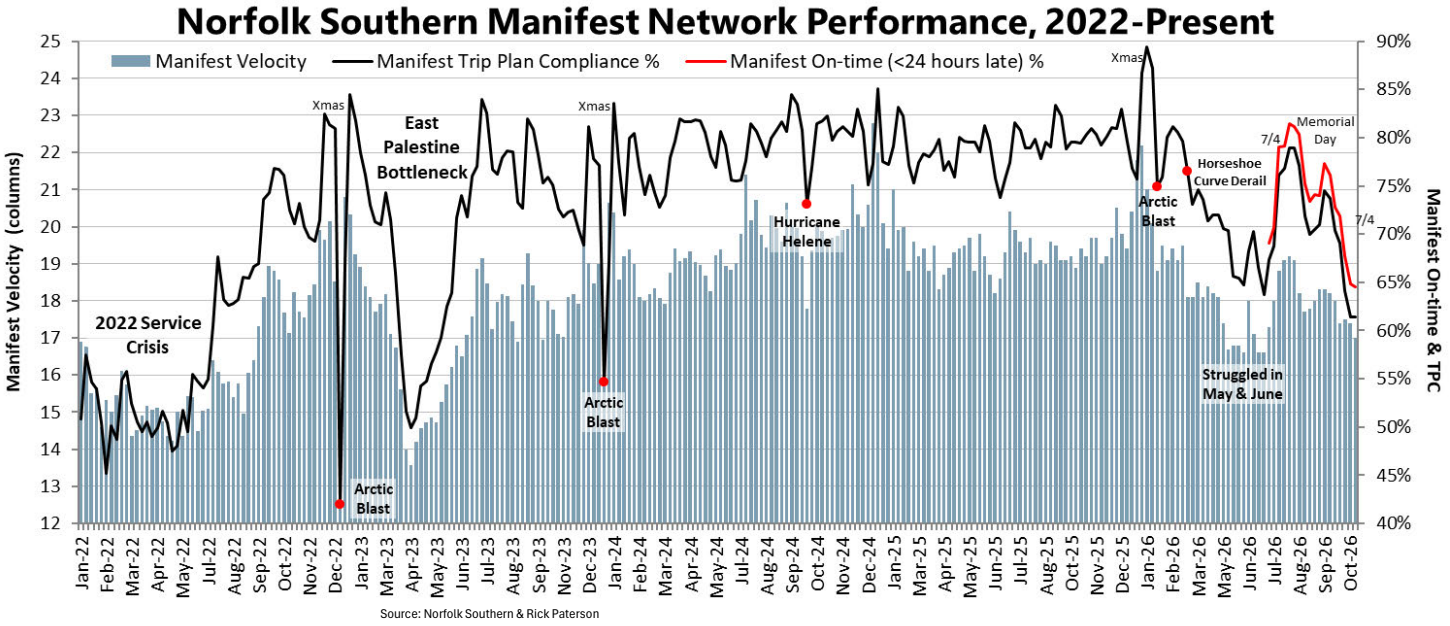
This is not a financial markets product and nothing in this report shall be construed as investment advice. All underlying data publicly available.

Norfolk Southern Struggling with Manifest Service

After being largely in freefall since Memorial Day, most of Norfolk Southern's operating metrics recorded a welcome positive inflection last week. Hopefully that's the start of something. The one notable exception was the Manifest network, which continued its glide path lower.

While terminal dwell and hump yard dwell both improved modestly (off multi-year highs), manifest velocity decelerated by another 2.3% to 17 mph—a new low since the May/June trough. Equally worrisome is the on-time performance metrics around this network, and there are two available publicly:

1. **Manifest Trip Plan Compliance (TPC)**, reported on NS's website. Weekly data is available back to 2019 and in the chart below I've started it at 2022. Between then and now you can see the span of outcomes across different operating environments. Manifest TPC at NS bottoms out around 50% during meltdowns (2022) and tops out around 80% in periods NS is running well (H2 2024 and 2025). Where are we now? 61.4% in each of the last two weeks, which is worse than the May/June swoon and, with the exception of an arctic blast in early 2024, a low not seen since the 2023 East Palestine bottleneck.
2. **Manifest On-time Performance** to within 24 hours (late). This is the new STB Original Estimated Time of Arrival (OETA) data that only started in July. It's the red line in the chart. It's early days but, so far, it's corroborating the other manifest-related metrics as you'd expect. In the most recent week, ending October 30, it sequentially deteriorated for the sixth week to 64.5%. For perspective, it topped out at 81.5% in late July.



I know I've been beating up on NS over the last few weeks for poor performance, but that's sort of the point of this report. The beatings will continue until morale improves…and the network runs better.

In terms of what comes next that could help the network run better, we've got two big public holidays where volume pressure comes way off in the form of Thanksgiving (one light week) and Christmas/New Year (two light weeks), so they're the opportunities NS needs to fully exploit to get its operating house in order. If it fails to do that it spells trouble once the cold air hits in January. Norfolk Southern went into last winter in very good shape, came out ragged, and that set the tone for the entire year operationally. It cannot afford to go into this winter in anything like its current form.

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The State of the Rails

Running well (green): Union Pacific, BNSF, CSX, CPKC.

Running normally (yellow): Canadian National, Norfolk Southern.

Running poorly (red):

Service Matrix: **Equally-weighted Velocity + Terminal Dwell versus each Railroad's Post-recession Average**

	2010				2011				2012				2013				2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UP	7%	13%	8%	9%	5%	8%	-1%	2%	6%	11%	7%	6%	2%	3%	7%	-4%	-18%	-17%	-18%	-25%	-17%	-9.5%	-12%	-9%	-5%	-2%	-8%	-9.8%	-19%	-11%	-18%	-29%
BNSF	-5%	8%	1%	-2%	-9%	-5%	-15%	-9%	8%	12%	5%	7%	9%	0%	-3%	-20%	-32%	-29%	-27%	-21%	-7%	-1%	-2%	7%	14%	19%	5%	3%	-12%	-4%	2%	6%
CSX	-22%	-13%	-17%	-19%	-28%	-26%	-12%	-17%	-8%	-4%	-4%	-5%	4%	4%	6%	-1%	-28%	-30%	-28%	-27%	-34%	-22%	-22%	-18%	-23%	-18%	-22%	-28%	-26%	-13%	PSR -35%	-16%
NS	-4%	-2%	1%	-5%	-14%	-3%	0%	-4%	17%	19%	22%	23%	19%	21%	21%	18%	-2%	2%	-12%	-34%	-27%	-8%	-3%	5%	6%	11%	8%	4%	3%	-6%	-4%	-15%
CN	5%	13%	14%	8%	-2%	11%	11%	11%	9%	15%	17%	9%	-8%	16%	22%	4%	-27%	9%	6%	0%	-5%	14%	19%	21%	21%	26%	25%	16%	8%	13%	-2%	-23%

Impact of 2014 Polar Vortex

CN Meltdown Hurricane Harvey

	2018				2019				2020				2021				2022				2023				2024				2025				2026			L10W
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
UP	-27%	-13%	-15%	PSR -4%	-7%	-5%	6%	11%	6%	20%	9.6%	14%	6%	8%	1%	-1%	1%	-4%	-3%	-3%	1%	3%	0%	8%	2%	2%	3%	8%	6%	10%	14%	22%	22%	19%	16%	17%
BNSF	1%	-4%	-8%	-8%	-16%	-15%	-8%	-1%	7%	19%	11%	13%	2%	2%	2%	-2%	-12%	-9.6%	-1%	1%	-6%	-1%	5%	6%	-7%	-1%	9%	15%	13%	19%	18%	19%	16%	10%	9%	11%
CSX	-9%	2%	14%	19%	28%	26%	26%	39%	40%	37%	20%	15%	11%	11%	8%	3%	-5%	-13%	-4%	17%	33%	30%	25%	24%	21%	18%	18%	9%	3%	10%	24%	23%	12%	6%	8%	15%
NS	-34%	-36%	-23%	PSR -20%	6%	25%	28%	30%	32%	37%	24%	7%	-7%	-2%	3%	-27%	-27%	-31%	-19%	-12%	-16%	-32%	-3%	-9.6%	-2%	3%	9%	9%	9%	4%	9%	8%	9%	-9%	1%	-8%
CN	-47%	-17%	-14%	-7%	-30%	0%	-9%	-12%	-20%	-14%	-37%	-14%	-21%	-5%	-4%	-9%	-38%	1%	7%	1%	6%	9%	4%	6%	-1%	0%	1%	2%	-16%	4%	4%	3%	-6%	2%	-3%	7%
CPKC	< Pre-CP & KCS Consolidated Data >								20%	18%	11%	4%	-12%	-2%	13%	14%	-9%	-7%	-9%	-17%	-22%	-13%	-21%	0%	1%	5%	-5%	-5%	-5%	-2%	-2%	9.7%	7%	20%	10%	14%

CN & NS Meltdowns

UP & NS Adopt PSR

Midwest Flooding

Record industry service, aided by COVID lockdowns

COVID 2021 Polar Vortex

Omicron Spike

2022 Service Crisis

NS East Palestine KCSM Meltdown

CN Mini-crash

UPDATED

Railroad is turning assets *within* 10% of its post-recession average
Railroad is turning assets >10% *faster* than its post-recession average
Railroad is turning assets >10% *slower* than its post-recession average

Source: Surface Transportation Board & Rick Paterson.

How does the chart work?

e.g., Velocity 10% better than its post-recession average + dwell 10% better than its post-recession average = 20%.
Velocity 10% worse + Dwell 10% worse = -20%.
Velocity 10% better + Dwell 10% worse = 0%.

Post-recession defined as Q1 2010 through the present.

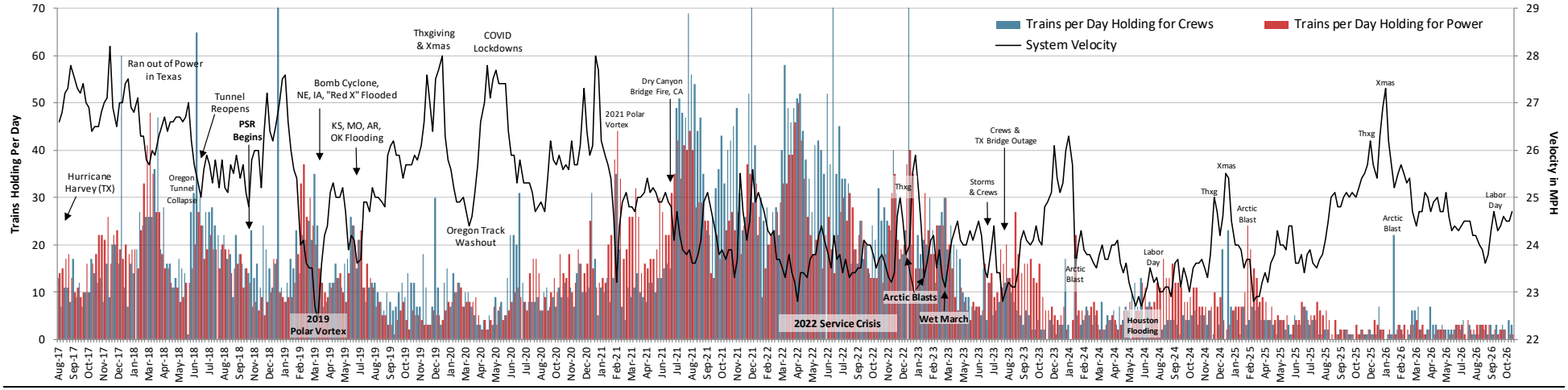
L10W = Last 10 Weeks (trailing average).

Union Pacific

Network Velocity and Trains Holding for Crews and Power

Velocity upticked 0.8% in the week ending October 30. Trains holding for crews fell by one to three per day, and trains holding for power was flat at just one per day.

Figure 1: Union Pacific Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

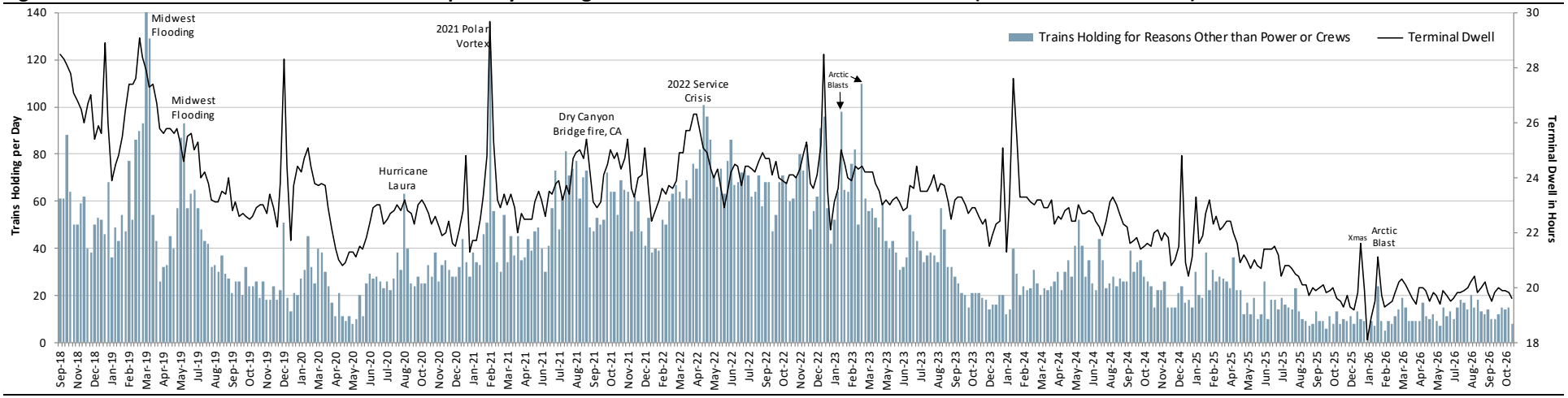


Source: Union Pacific & STB. UP trains holding is based on a daily snapshot that counts the number of trains delayed by four hours or more at a certain time every day.

Terminal Dwell and Trains Holding for Other Reasons

Terminal dwell improved by another 1% to 19.6 hours in the week ending October 30. Trains holding for all reasons other than power and crews improved from 15 to eight per day.

Figure 2: Union Pacific Terminal Dwell and Trains per Day Holding for Reasons Other than Power and Crews (lower is better for both)

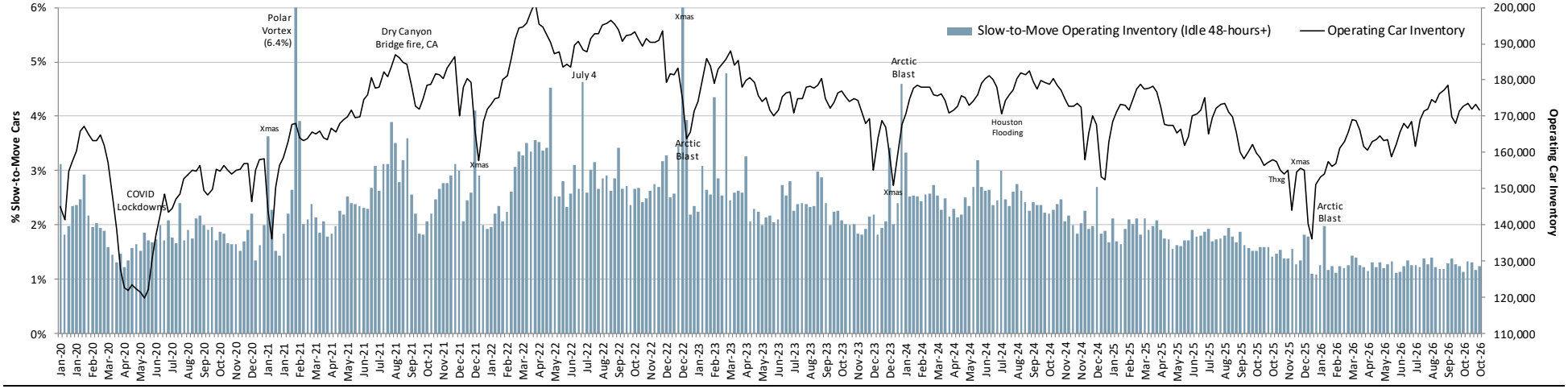


Source: Union Pacific & STB. UP trains holding is based on a daily snapshot that counts the number of trains delayed by four hours or more at the same time every day.

Operating Car Inventory and the Proportion Slow-to-Move

Operating inventory fairly steady around 171,500 in recent weeks as it continues to approximate its long-term average. The proportion of these cars idle for 48+ hours was unchanged at 1.2%.

Figure 3: Operating Car Inventory and the Proportion Idle for 48+ hours (lower is better for both)

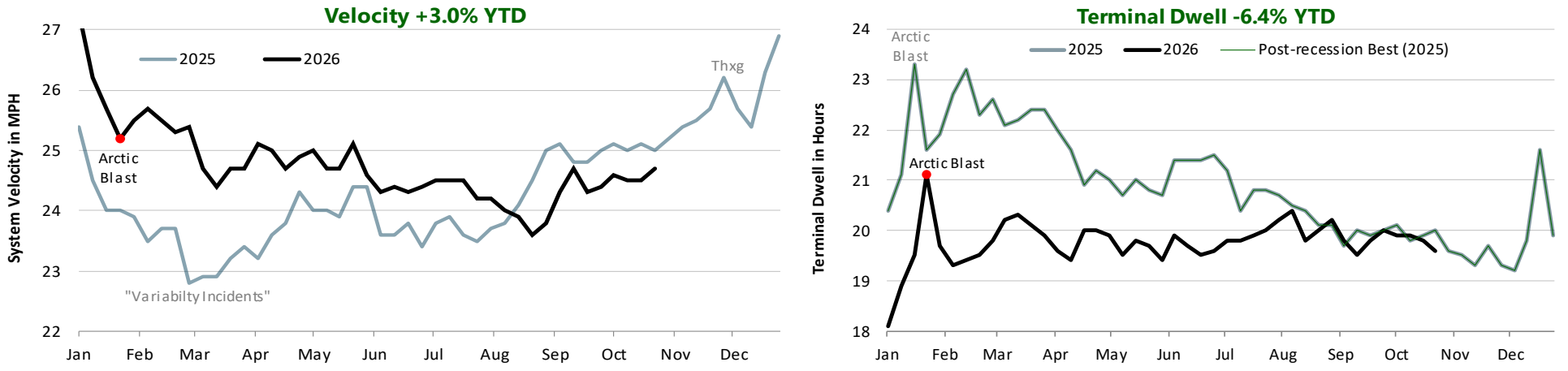


Source: Union Pacific & STB. UP Operating Car Inventory defined as "cars in normal movement, hold, or released at customer status. Excludes cars at industry for loading or unloading, offline or stored. Articulated well and spine cars counted individually. Excludes non-revenue cars."

Year-over-Year Network Velocity and Terminal Dwell

Current velocity still running ~0.5 mph below year-ago levels, but +3% year-to-date. Terminal dwell looks very good and continues to track strong year-ago levels.

Figure 4: Union Pacific System Velocity and Terminal Dwell

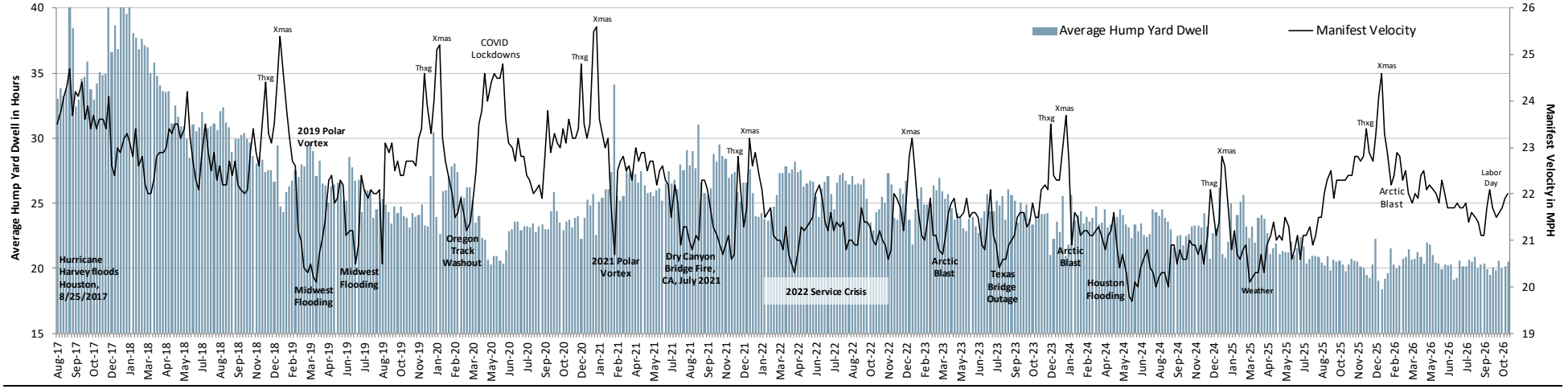


Source: Union Pacific & STB. Velocity post-recession best not shown, but it was a weekly average of 28.4 mph in 2012.

Manifest Network Efficiency

Manifest velocity edged up another 0.5% in the week ending October 30. Average dwell for the seven hump yards that support this network increased by 2% to 20.5 hours, which is still very good in absolute terms.

Figure 5: Union Pacific Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

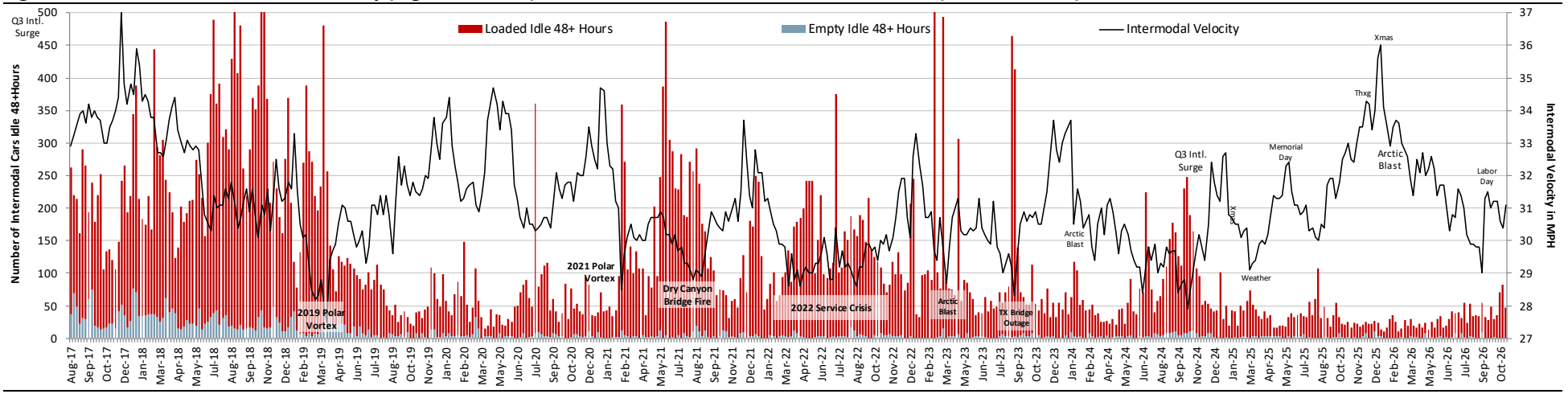


Source: Union Pacific & STB. Hump Yard Dwell is average dwell for Union Pacific's seven active hump yards. Note that North Platte in Nebraska, the biggest, is a dual hump and only dwell for the westbound hump is reported publicly; eastbound is not.

Intermodal Network Efficiency

Intermodal velocity accelerated 2.3% in the week ending October 30. Loads continued to run strong at 84-85,000 for the seventh week in a row. For reference, the all-time record of 88,265 was set in early December 2018. Slow-to-move platforms improved from 82 to 47.

Figure 6: Union Pacific Intermodal Velocity (higher is better) and the Number of Slow-to-Move Platforms (lower is better)

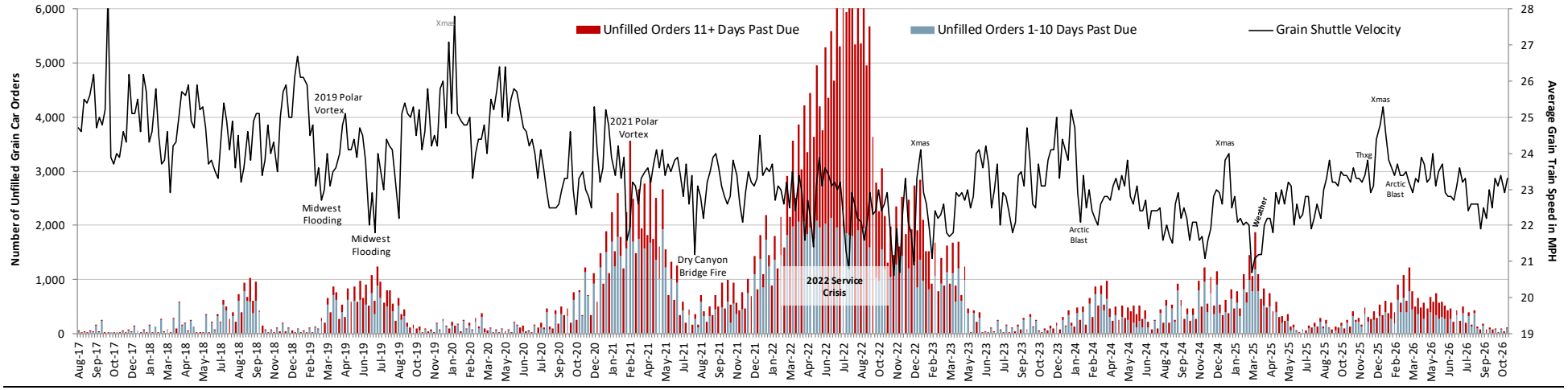


Source: Union Pacific & STB.

Grain Train Efficiency

Grain velocity accelerated 1.7% in the week ending October 30. Unfilled grain car orders increased from 48 to 101.

Figure 7: Union Pacific Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

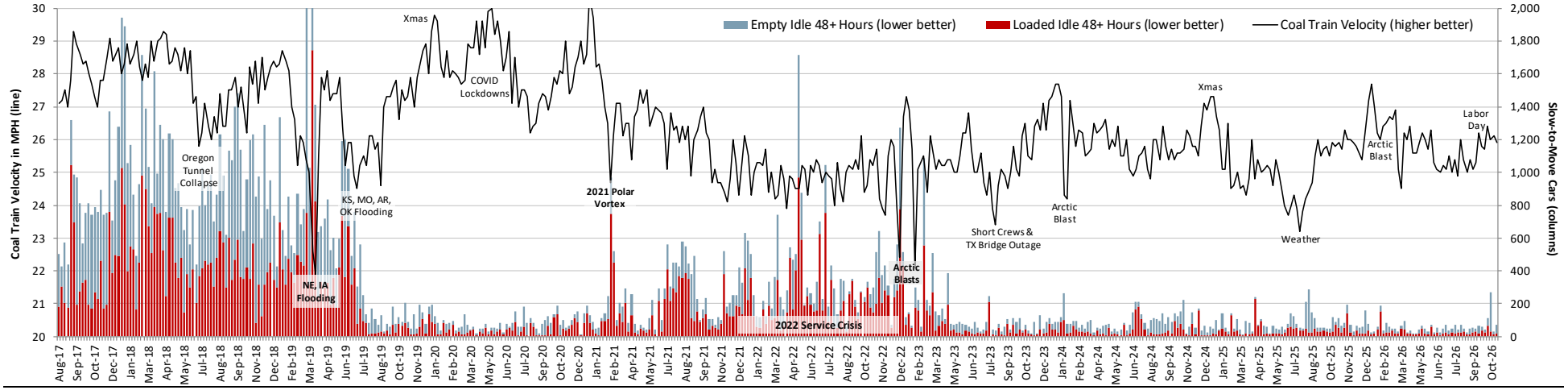


Source: Union Pacific & STB.

Coal Train Efficiency

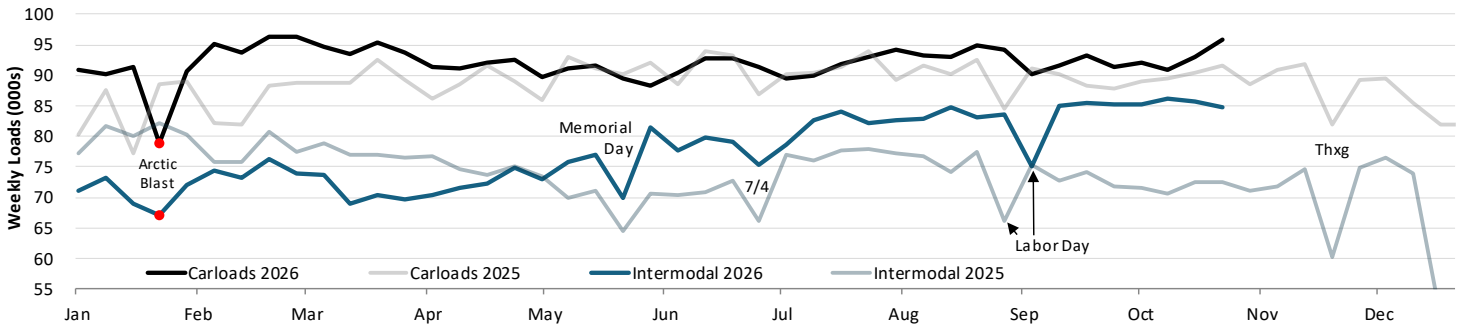
Coal velocity downticked in the week ending October 30. Slow-to-move coal cars (idle 48+ hours) increased from 33 to 72.

Figure 8: Union Pacific Average Coal Train Speed (higher is better) and Slow-to-Move Cars (lower is better)



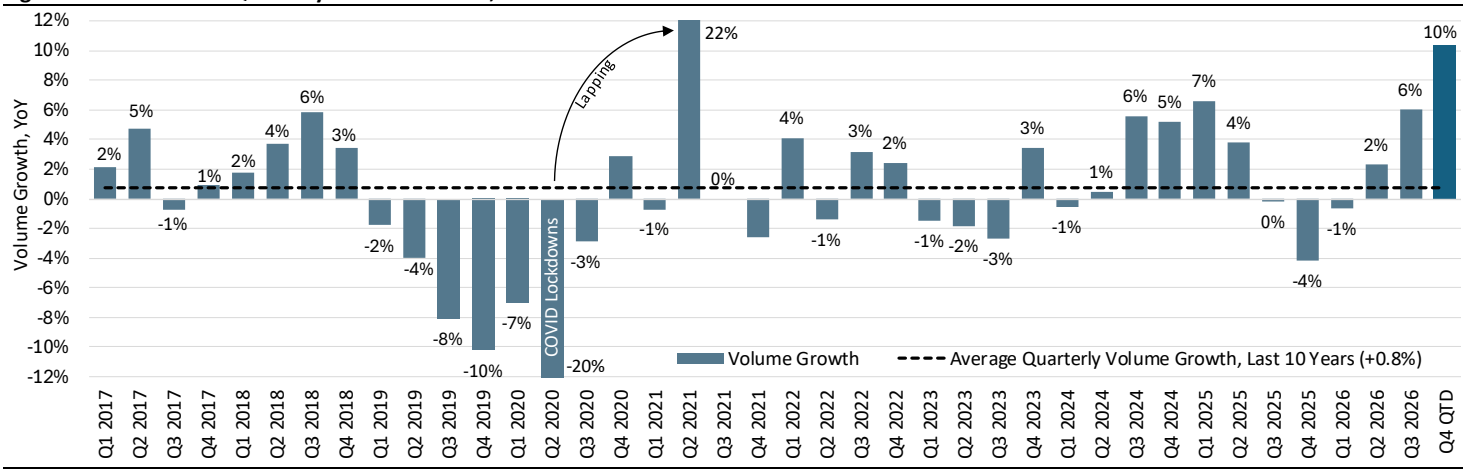
Source: Union Pacific & STB.

Union Pacific Volumes Through Week Ending 10/31/26



Union Pacific Reporting Segment	Commodity	Year-to-Date 2026	Year-to-Date 2025	Year-to-Date Δ	Q4 Quarter-to-Date 2026	Q4 Quarter-to-Date 2025	Q4 Quarter-to-Date Δ	Week Ending 10/31/26 2026	Week Ending 10/31/26 2025	Week Ending 10/31/26 Δ
Grain & Grain Mill	Grain	352.4	305.9	15.2%	38.3	33.9	13.2%	9.7	8.2	18.0%
(16% of Sales)	Grain Mill Products	179.3	176.4	1.6%	18.0	19.0	(5.3%)	4.4	4.1	7.9%
	Total Grain & Grain Mill	**531.7**	**482.4**	**10.2%**	**56.3**	**52.8**	**6.6%**	**14.1**	**12.3**	**14.7%**
Fertilizer (3% of sales)	**Nonmetallic Minerals**	**45.3**	**45.7**	**(0.8%)**	**4.5**	**5.4**	**(16.2%)**	**0.8**	**1.4**	**(40.3%)**
Food & Refrigerated	Food & Kindred Products	198.3	196.4	1.0%	19.9	20.2	(1.7%)	4.3	4.4	(2.3%)
(4% of Sales)	Farm Products, Ex Grain	12.2	12.2	0.2%	1.5	1.5	(0.4%)	0.4	0.4	(2.8%)
	Total Food & Refrigerated	**210.5**	**208.6**	**0.9%**	**21.3**	**21.7**	**(1.7%)**	**4.7**	**4.8**	**(2.4%)**
Coal & Renewables	Coal	603.2	612.6	(1.5%)	58.5	58.3	0.4%	13.8	13.3	3.5%
(7% of Sales)	Coke	39.4	31.1	26.9%	3.9	3.0	32.6%	1.0	0.5	109.6%
	Primary Forest Products	17.8	19.5	(9.0%)	1.9	2.2	(13.0%)	0.6	0.6	(4.0%)
	Total Coal & Renewables	**660.4**	**663.2**	**(0.4%)**	**64.4**	**63.5**	**1.4%**	**15.4**	**14.4**	**6.8%**
Industrial Chems & Plastics	Chemicals	942.5	910.3	3.5%	95.1	92.7	2.6%	21.9	21.8	0.7%
(10% of Sales)	All Other Carloads	147.6	153.6	(3.9%)	13.6	16.0	(14.9%)	2.4	4.3	(44.0%)
	Total Chemicals & Plastics	**1,090.1**	**1,063.9**	**2.5%**	**108.7**	**108.7**	**0.0%**	**24.4**	**26.1**	**(6.7%)**
Metals & Minerals	Crushed Stone, Sand & Gravel	342.7	327.7	4.6%	39.0	37.3	4.7%	9.4	8.0	17.1%
(9% of Sales)	Stone, Clay & Glass	148.0	132.0	12.1%	16.0	14.5	10.2%	3.7	3.1	17.4%
	Metals & Products	124.3	116.7	6.5%	13.0	11.5	12.9%	3.0	2.6	14.3%
	Iron & Steel Scrap	48.3	42.5	13.6%	5.2	4.4	18.0%	1.3	1.0	23.4%
	Metallic Ores	12.9	18.0	(28.3%)	1.0	1.4	(24.9%)	0.2	0.3	(26.5%)
	Total Metals & Minerals	**676.2**	**636.8**	**6.2%**	**74.2**	**69.0**	**7.5%**	**17.6**	**15.2**	**16.1%**
Forest Products	Lumber & Wood Products	84.8	83.8	1.1%	8.6	7.8	10.8%	2.0	1.8	7.0%
(5% of Sales)	Pulp & Paper Products	75.6	74.7	1.1%	7.5	7.0	6.5%	1.8	1.7	9.4%
	Total Forest Products	**160.4**	**158.6**	**1.1%**	**16.1**	**14.8**	**8.8%**	**3.8**	**3.5**	**8.1%**
Energy & Specialized	Petroleum Products	234.4	218.1	7.5%	25.9	22.0	17.8%	5.9	5.1	14.9%
(11% of Sales)	Waste & Other Scrap	33.5	31.6	6.0%	3.8	3.8	(1.8%)	0.9	0.8	5.7%
	Total Energy & Specialized	**267.9**	**249.7**	**7.3%**	**29.6**	**25.8**	**14.9%**	**6.8**	**6.0**	**13.6%**
Automotive (10% of Sales)	**Total Automotive**	**349.3**	**348.5**	**0.2%**	**35.8**	**35.9**	**(0.2%)**	**8.3**	**8.0**	**3.2%**
	TOTAL CARLOADS	**3,991.7**	**3,857.5**	**3.5%**	**410.9**	**397.6**	**3.4%**	**95.9**	**91.7**	**4.5%**
Intermodal	Containers	3,282.2	3,174.2	3.4%	371.3	311.5	19.2%	83.3	71.2	17.0%
(19% of Sales)	Trailers	66.8	61.7	8.2%	7.2	6.1	18.8%	1.5	1.2	24.5%
	TOTAL INTERMODAL	**3,349.0**	**3,235.9**	**3.5%**	**378.5**	**317.6**	**19.2%**	**84.9**	**72.5**	**17.1%**
	TOTAL	**7,340.6**	**7,093.4**	**3.5%**	**789.5**	**715.2**	**10.4%**	**180.7**	**164.2**	**10.1%**

Figure 9: Union Pacific Quarterly Volume Growth, Last Ten Years



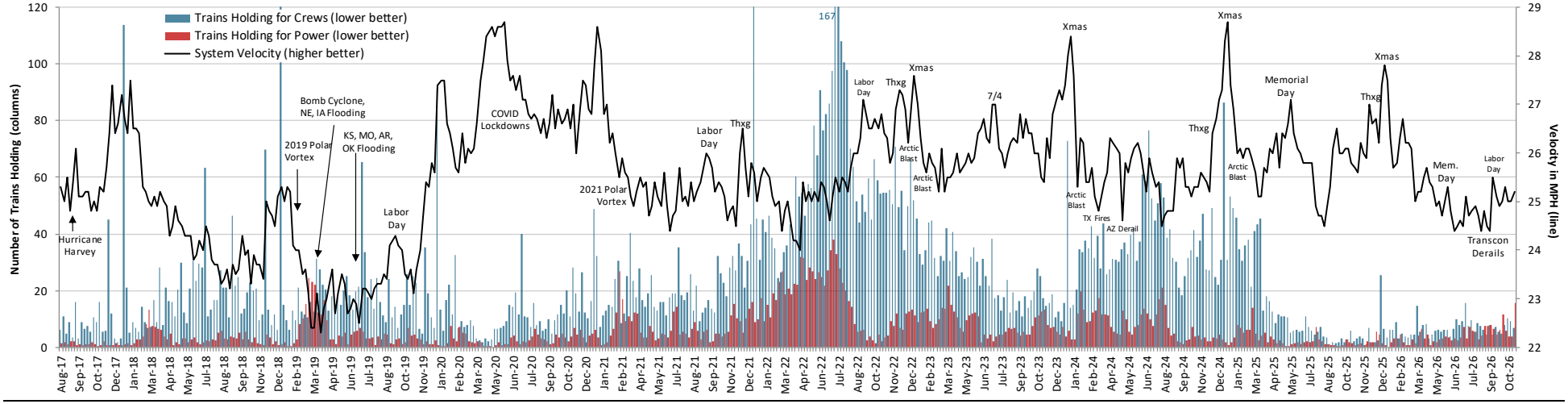
Source (all charts and tables): STB & www.investor.unionpacific.com/carloads-2026.

BNSF

Network Velocity and Trains Holding for Crews and Power

BN's Southern Transcon was severely disrupted between October 24-27 due to heavy flooding in New Mexico, so you'll see some significant effects in some of this week's data, and next. Velocity somehow dodged this bullet, upticking in the week ending October 30. Trains holding for crews also improved from nine to seven per day, while the flooding showed up in trains holding for power, which jumped from four to 16 per day.

Figure 10: BNSF Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

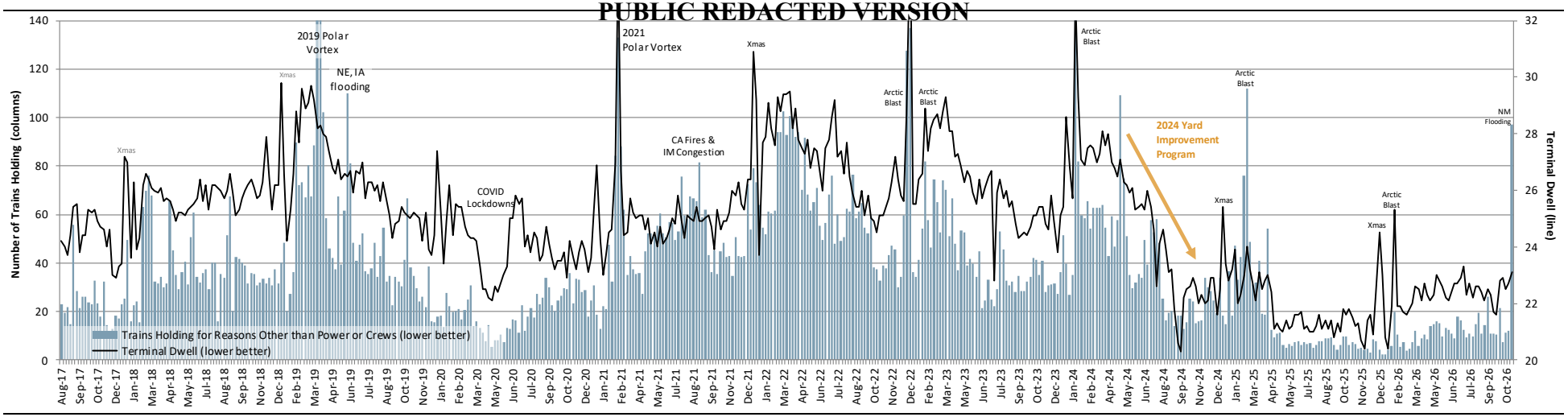


Source: BNSF & STB. BNSF trains holding is based on a daily snapshot that counts the number of trains delayed by zero hours or more at a certain time every day.

Terminal Dwell and Trains Holding for Other Reasons

Terminal dwell increased by 1.8%. Trains holding for all reasons other than power and crews (e.g., flooding) spiked from 12 to 97. It's normal for hundreds of trains to quickly get backed up during Southern Transcon blockages (which are typically derailments) and that's exactly what we saw with the New Mexico flooding event.

Figure 11: BNSF Terminal Dwell (lower is better) and Trains Holding for All Reasons Other than Power and Crews (lower is better)

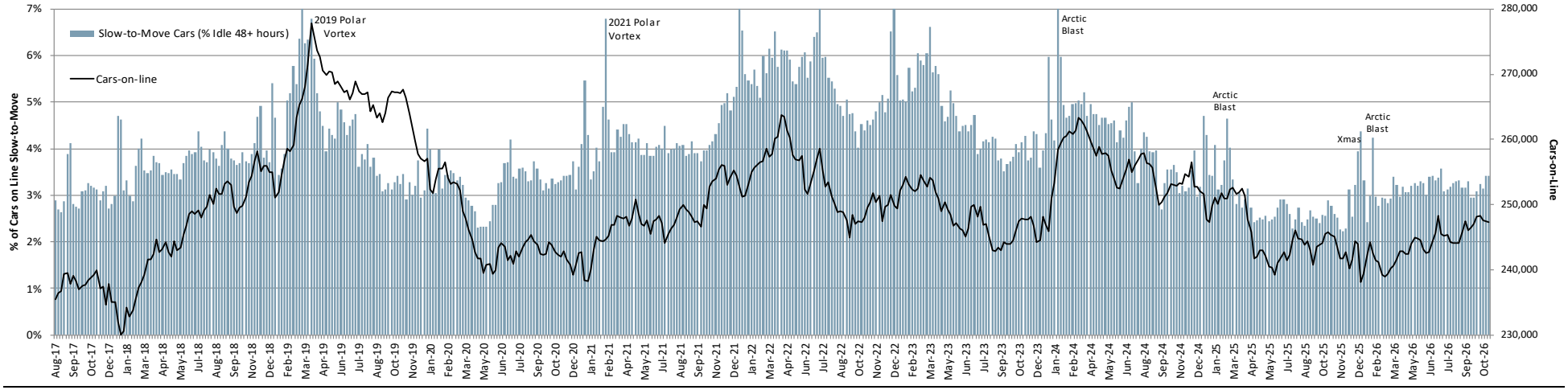


Source: BNSF & STB. BNSF trains holding is based on a daily snapshot that counts the number of trains delayed by zero hours or more at a certain time every day.

Cars Online and the Proportion Slow-to-Move

Cars online steady in the week ending October 30, as was the proportion of these cars idle for 48+ hours (slow-to-move) at 3.4% (equal to a 15-week high).

Figure 12: BNSF Cars Online and the Proportion Slow-to-Move (lower is better for both)

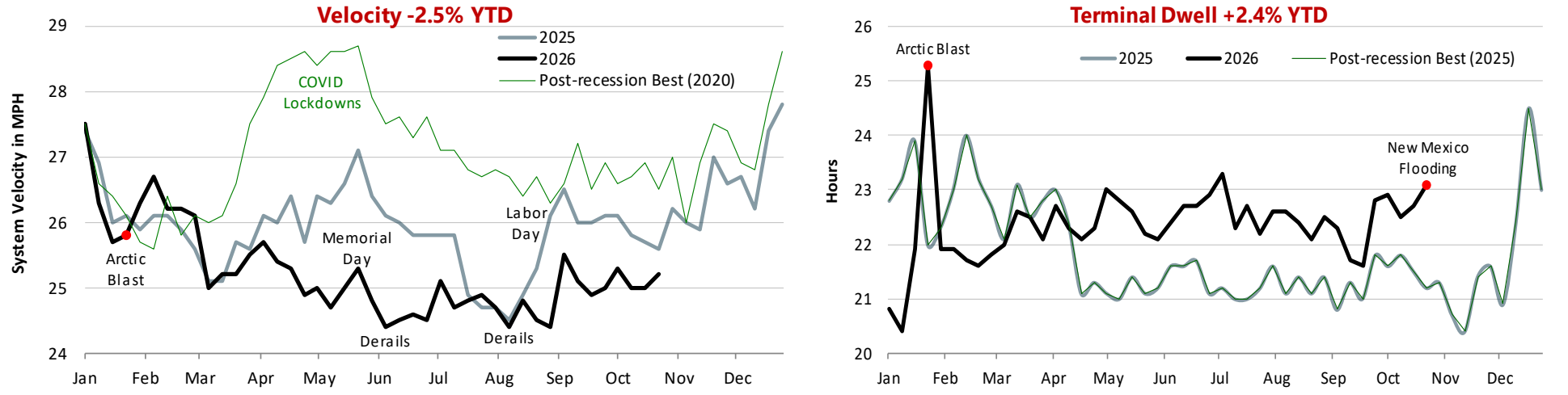


Source: BNSF & STB.

Year-over-Year Network Velocity and Terminal Dwell

In the velocity chart you can see that YoY comps get tougher through year end, but volume pressure comes off the network once we hit Thanksgiving, which will allow speeds to accelerate this year just like they did in 2025. Terminal dwell continues to run worse than year-ago levels.

Figure 13: BNSF High Level Velocity and Terminal Dwell

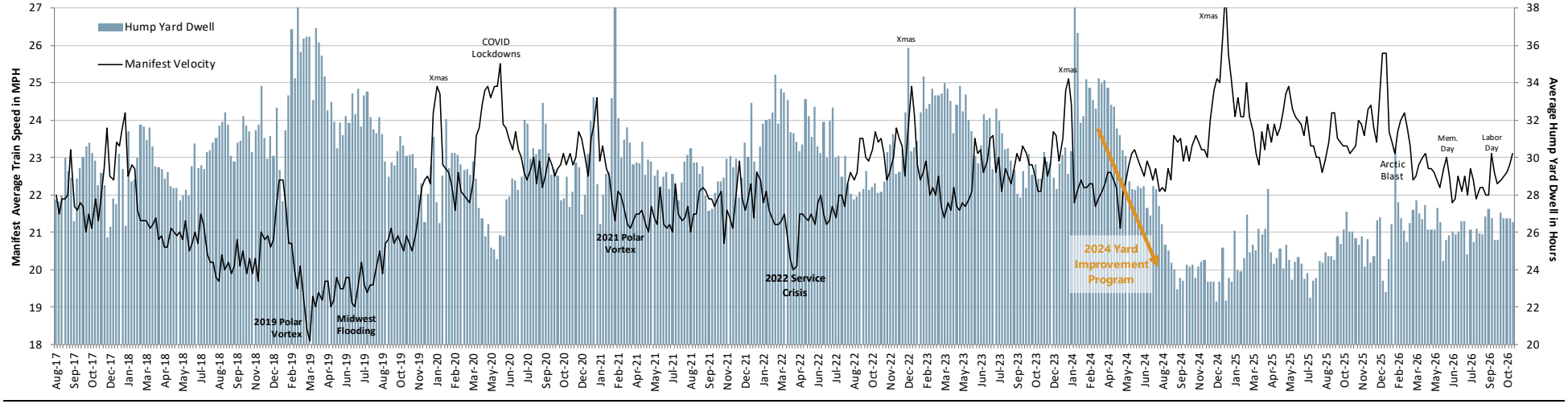


Source: BNSF & STB.

Manifest Network Efficiency

Manifest velocity increased by 1.3% in the week ending October 30 and average dwell for the eight hump yards that support this network downticked to 26.6 hours. Barstow in California remains stubbornly problematic at 34 hours (>30 is bad for a hump yard).

Figure 14: BNSF Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

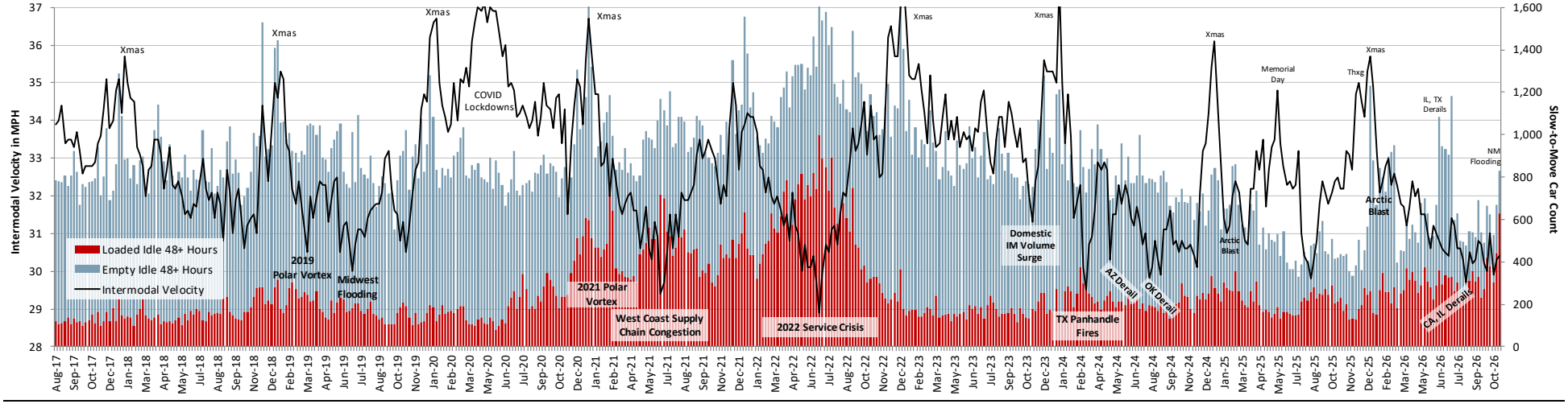


Source: BNSF & STB. Hump Yard Dwell represents the average time in hours for BNSF's eight active hump yards.

Intermodal Network Efficiency

Intermodal predictably took two big hits from the flooding last week. Loads dropped 13% to 103,607 compared to the week prior, and slow-to-move intermodal platforms increased from 670 to 829, which is a 16-week high. Intermodal velocity was, at least, flat.

Figure 15: BNSF Intermodal Average Train Speed (higher is better) and Slow-to-Move Platforms (lower is better)

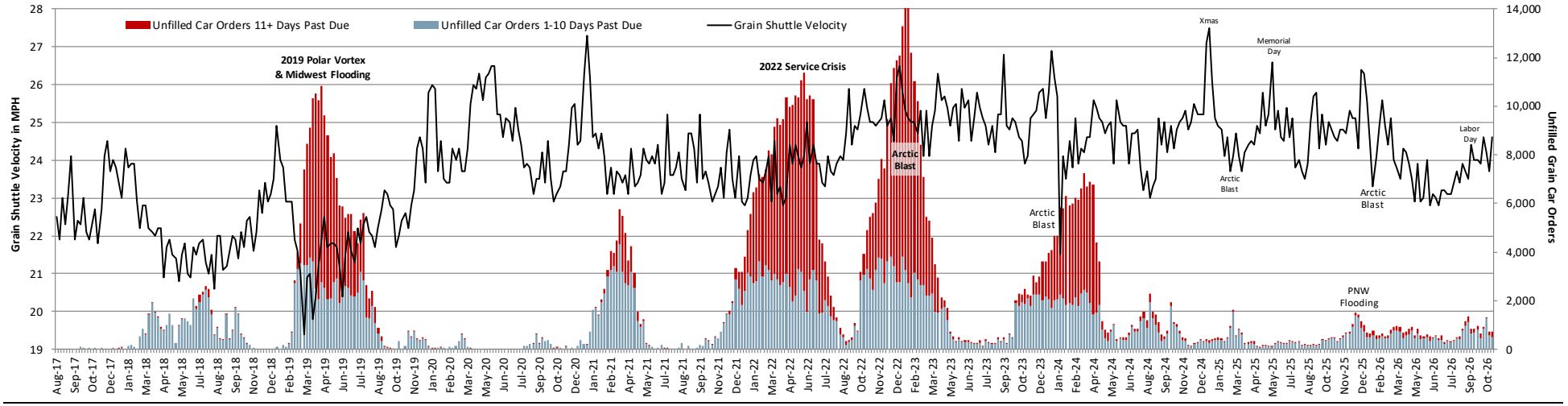


Source: BNSF & STB.

Grain Train Efficiency

Average grain train speed improved 3.8% in the week ending October 30. Unfilled grain car orders was stable at 722.

Figure 16: BNSF Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

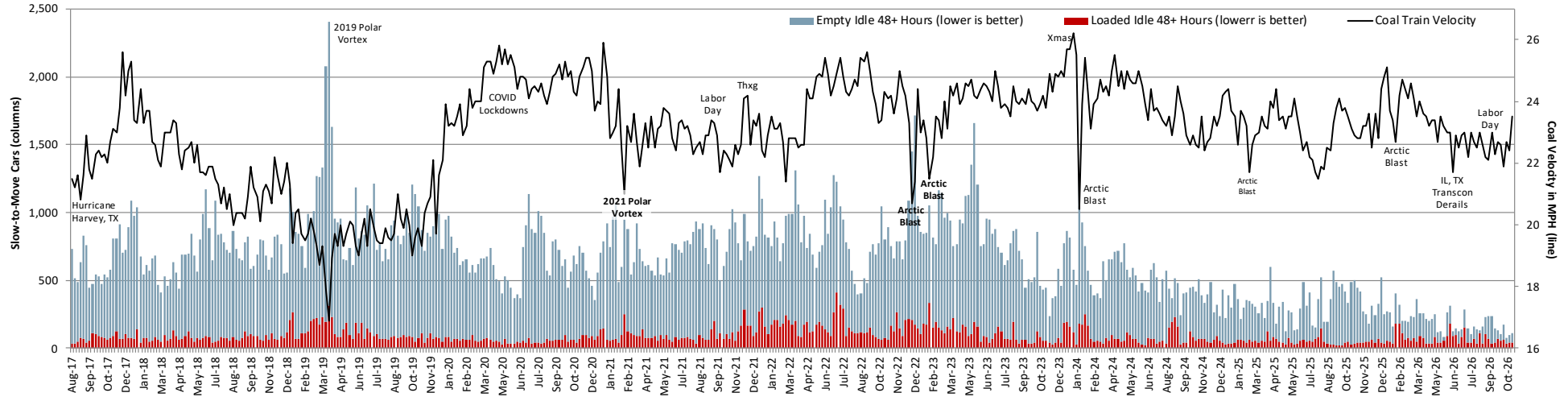


Source: BNSF & STB.

Coal Train Efficiency

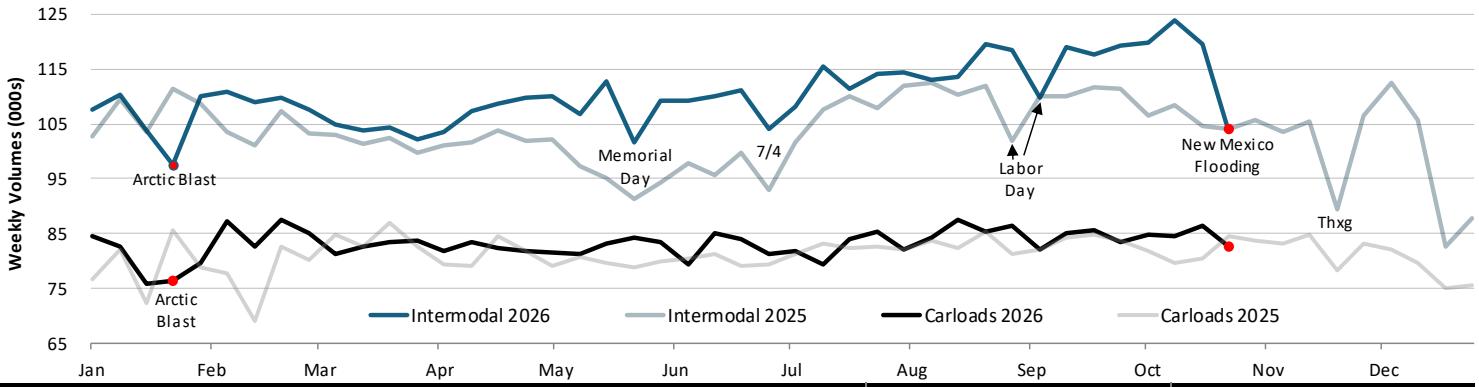
Apparently very little coal transits New Mexico, with coal train velocity ripping by 4.9% last week. Slow-to-move coal cars remain very low by historical standards, at 112.

Figure 17: BNSF Average Coal Train Speed (higher is better) and Slow-to-Move Cars (lower is better)



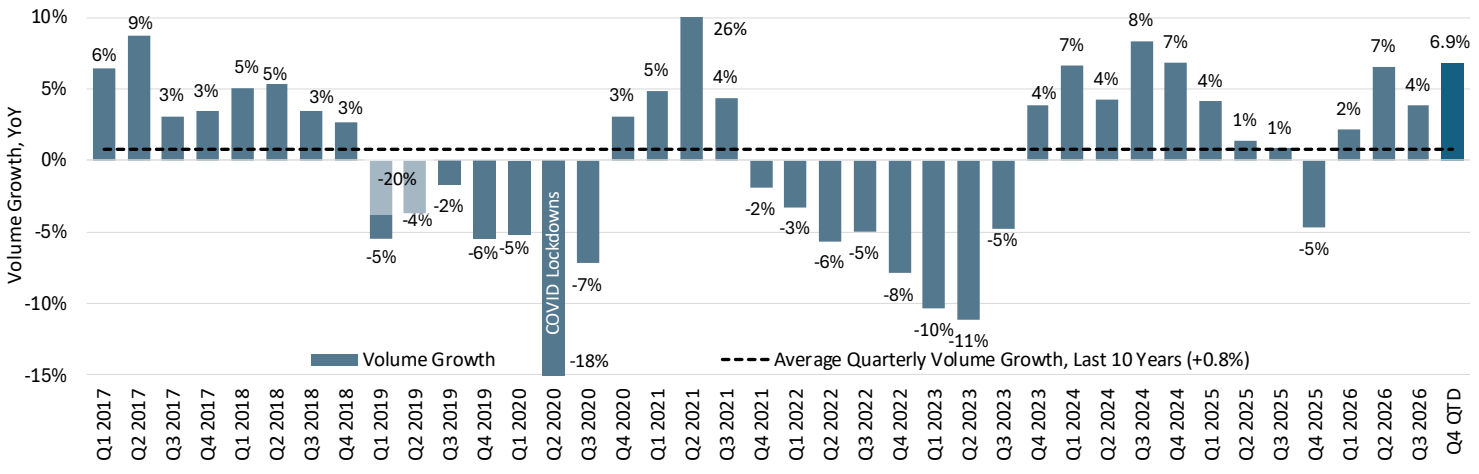
Source: BNSF & STB.

BNSF Volumes Through Week Ending 10/31/26



BNSF		Year-to-Date			Q4 Quarter-to-Date			Week Ending 10/31/26		
Reporting Segment	Commodity	2026	2025	Δ	2026	2025	Δ	2026	2025	Δ
Autos (4% of sales)	**Motor Vehicles & Equipment**	**251.8**	**251.1**	**0.3%**	**25.5**	**25.5**	**(0.1%)**	**5.4**	**5.5**	**(2.3%)**
Industrial Products	Petroleum Products	293.5	265.9	10.4%	32.9	29.6	11.2%	6.9	6.8	1.8%
(21% of Sales)	Chemicals	376.4	386.2	(2.5%)	37.6	36.2	4.0%	9.0	8.3	8.5%
	Crushed Stone, Sand & Gravel	182.1	166.9	9.1%	19.8	18.0	9.8%	4.5	4.2	7.6%
	Metallic Ores	83.4	75.4	10.6%	10.1	7.7	32.5%	2.4	2.0	20.7%
	Stone, Clay & Glass	111.2	107.1	3.9%	12.6	11.8	6.3%	2.7	2.8	(1.1%)
	Metals & Products	88.7	80.6	10.0%	9.8	7.7	26.8%	2.3	1.8	30.9%
	All Other Carloads	99.7	106.6	(6.5%)	9.9	9.3	7.3%	2.2	2.6	(12.5%)
	Lumber & Wood Products	63.5	60.4	5.2%	6.0	5.5	9.0%	1.4	1.3	9.4%
	Pulp & Paper Products	47.5	48.6	(2.3%)	4.8	4.3	10.2%	1.1	0.9	13.7%
	Iron & Steel Scrap	55.0	46.0	19.4%	5.9	5.3	12.4%	1.4	1.2	19.0%
	Coke	21.5	20.5	4.9%	2.0	2.3	(14.9%)	0.5	0.5	7.4%
	Nonmetallic Minerals	20.1	19.4	3.8%	1.9	2.0	(3.9%)	0.4	0.5	(21.6%)
	Waste & Other Scrap	23.1	22.7	2.0%	2.6	2.3	12.9%	0.6	0.5	30.8%
	Primary Forest Products	1.7	2.1	(19.0%)	0.2	0.2	(0.7%)	0.0	0.0	44.0%
	Total Industrial	**1,467.6**	**1,408.4**	**4.2%**	**156.1**	**142.1**	**9.8%**	**35.6**	**33.3**	**7.0%**
Coal (13% of Sales)	**Coal**	**953.9**	**1,011.8**	**(5.7%)**	**100.4**	**101.2**	**(0.9%)**	**20.8**	**22.5**	**(7.3%)**
Agricultural	Grain	556.9	495.4	12.4%	53.5	55.3	(3.1%)	11.6	14.1	(17.8%)
(28% of Sales)	Grain Mill Products	204.5	190.1	7.6%	21.3	19.8	7.9%	5.2	4.8	8.6%
	Food & Kindred Products	148.5	143.3	3.7%	14.9	16.0	(6.8%)	3.4	3.7	(8.2%)
	Farm Products, Ex Grain	23.7	21.3	11.4%	2.4	2.3	3.6%	0.6	0.6	(2.7%)
	Total Agricultural	**933.7**	**850.1**	**9.8%**	**92.2**	**93.4**	**(1.3%)**	**20.7**	**23.2**	**(10.5%)**
	TOTAL CARLOADS	**3,607.0**	**3,521.4**	**2.4%**	**374.1**	**362.3**	**3.3%**	**82.6**	**84.5**	**(2.2%)**
Intermodal	Containers	4,617.8	4,358.5	5.9%	498.2	457.6	8.9%	99.3	100.9	(1.6%)
(31% of Sales)	Trailers	168.2	152.3	10.4%	19.8	14.9	32.4%	4.3	3.1	40.0%
	TOTAL INTERMODAL	**4,786.0**	**4,510.8**	**6.1%**	**518.0**	**472.6**	**9.6%**	**103.6**	**104.0**	**(0.4%)**
	TOTAL	**8,393.0**	**8,032.3**	**4.5%**	**892.1**	**834.8**	**6.9%**	**186.2**	**188.5**	**(1.2%)**

Figure 18: BNSF Quarterly Volume Growth, Last Ten Years



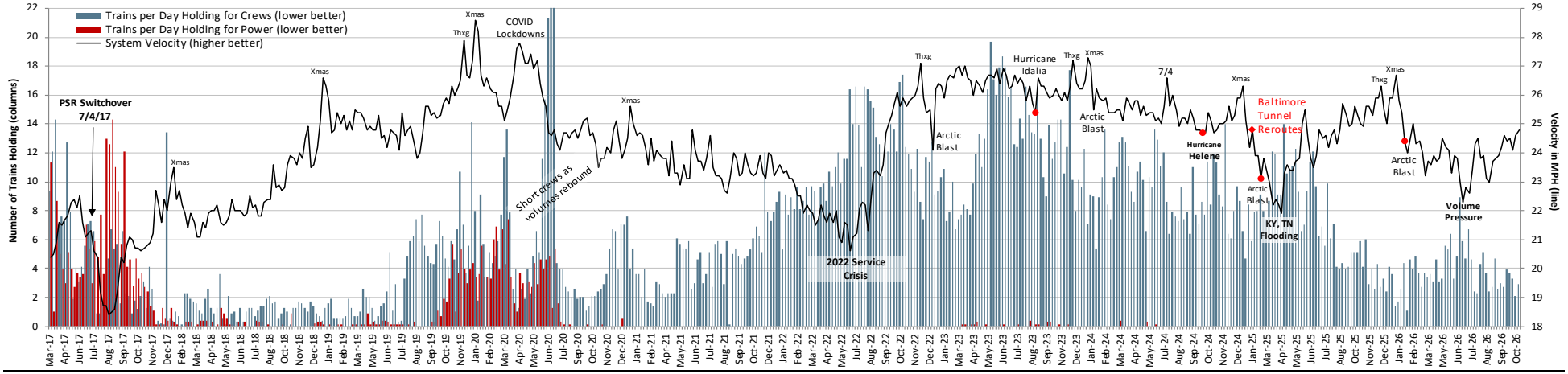
Source (all charts and tables): STB & www.bnsf.com/about-bnsf/financial-information.

CSX

Network Velocity and Trains Holding for Crews

CSX's operating data for week ending October 30 doesn't reflect the widespread IT outage last week, with the company stating it *"excludes missing, incomplete, and/or duplicative data for 10/27, 10/28, and 10/29 due to CSX system outage."* You can't report data that were never recorded. As an example, in the velocity chart below it shows a modest improvement in the three days prior to the outage (10/24, 10/25 and 10/26). We'll have to wait another week to see if there's any lasting damage to network fluidity.

Figure 19: CSX Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

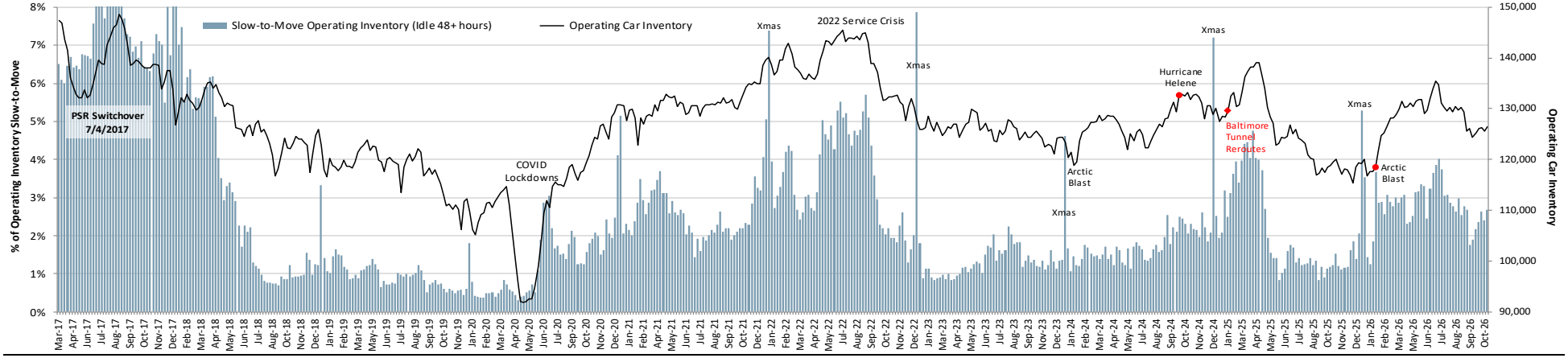


Source: CSX & STB. CSX trains holding based on daily snapshot that counts the number of trains delayed as at 3:30 AM every day. The delay is one hour for scheduled traffic and eight hours for bulk. Note CSX effectively stopped reporting trains holding for power from late 2020 despite the STB requirement to do so.

Operating Car Inventory and the Proportion Slow-to-Move

Operating inventory was steady leading into the IT outage at 126,497 in the week ending October 30. For perspective, it averaged 119,934 when CSX was running well in the back half of last year. Higher volume obviously necessitates higher inventory, so the gap isn't quite as bad as it looks. The proportion of these cars that were slow-to-move increased from 2.4% to 2.7%, which if course is understated.

Figure 20: CSX Operating Car Inventory and the Proportion Idle for 48+ hours During the Week (lower is better for both)

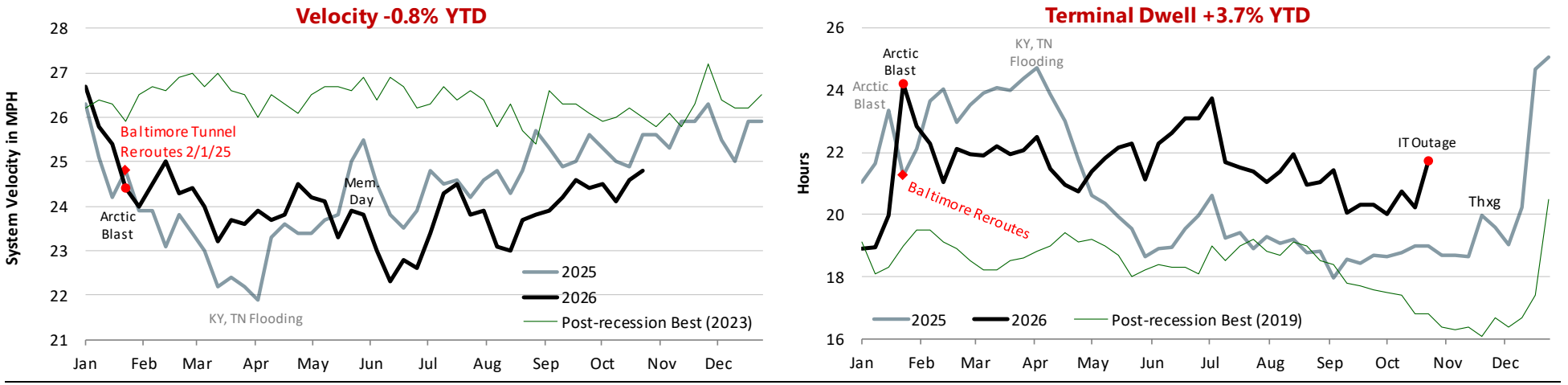


Source: CSX & STB. Operating inventory defined by CSX as "the number of active freight rail cars on lines operated by CSX, as determined by Rail Inc., excluding those being repaired, in storage, have been sold, or private cars dwelling at a customer location for more than one day."

Year-over-Year Network Velocity and Terminal Dwell

We've now fully lapped the 2025 Baltimore Howard Street tunnel closure (February through September) and YoY comps are materially tougher. YTD velocity turned negative two months ago and the IT outage will further ding both the velocity and dwell numbers.

Figure 21: CSX High Level Velocity and Terminal Dwell

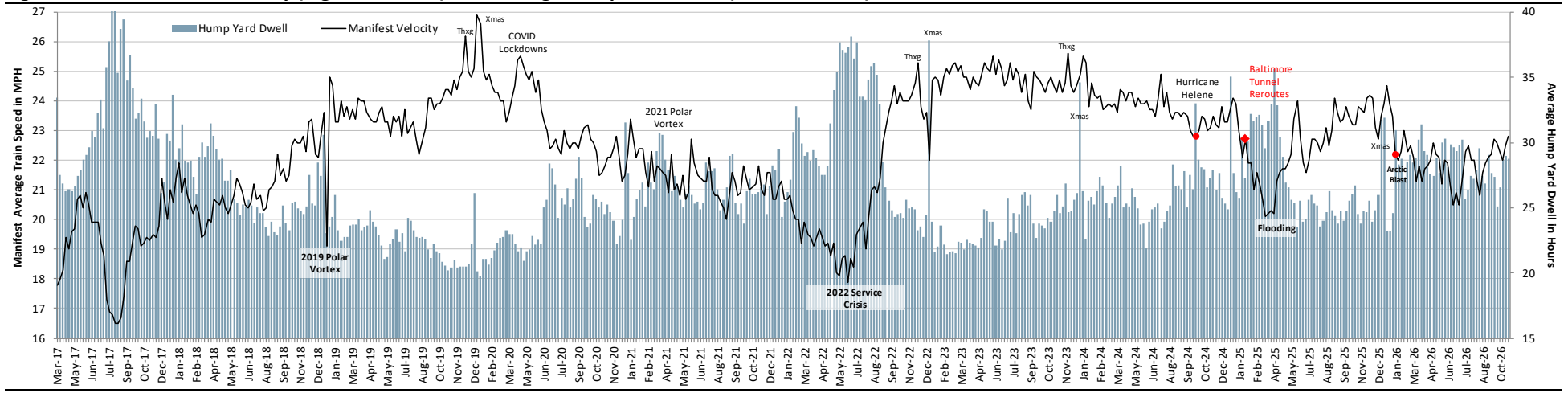


Source: CSX & STB.

Manifest Network Efficiency

Again, an improvement in manifest velocity in the first half of the week leading into the IT outage. Average dwell for CSX's five supporting hump yards steady at 29 hours.

Figure 22: CSX Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

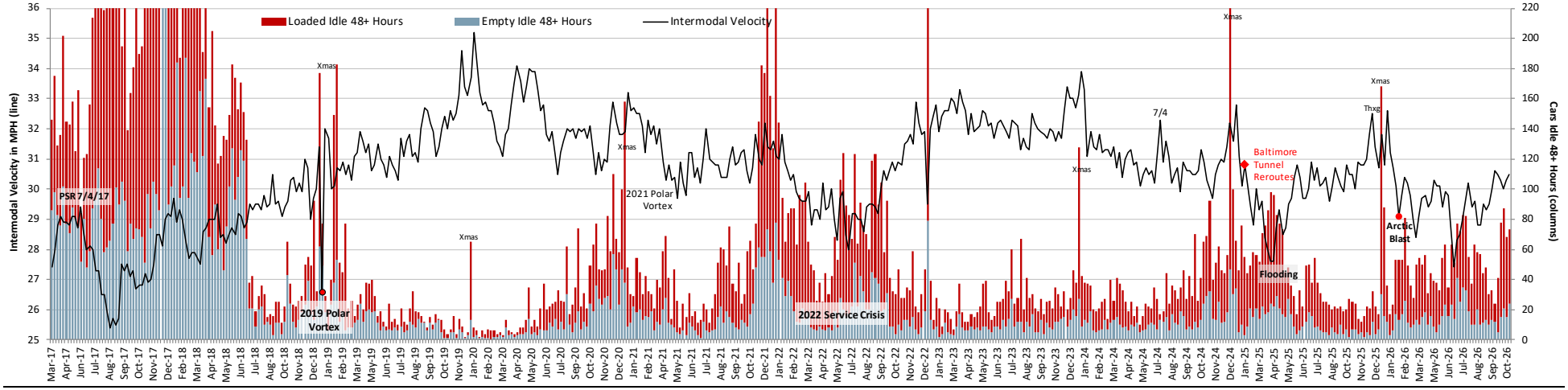


Source: CSX & STB. Hump Yard Dwell represents the average dwell for CSX's five active hump yards.

Intermodal Network Efficiency

Intermodal velocity upticked into the IT outage. Slow-to-move intermodal platforms at 73.

Figure 23: CSX Intermodal Velocity (higher is better) and the Number of Slow-to-Move Platforms (lower is better)

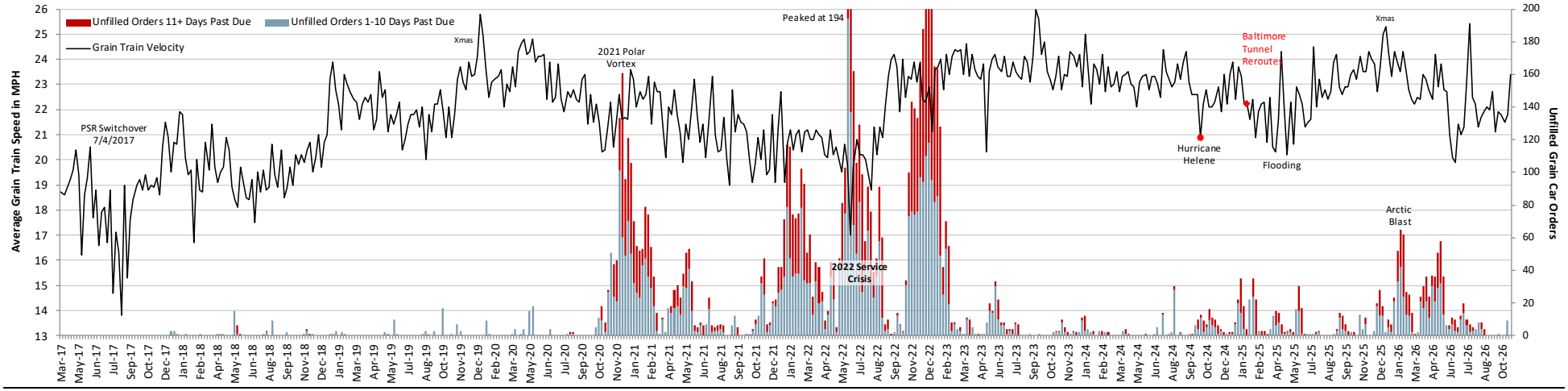


Source: CSX & STB.

Grain Train Efficiency

Grain velocity accelerated by another 7.3% before the IT shutdown hit. CSX reported no unfilled grain car orders to the STB.

Figure 24: CSX Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

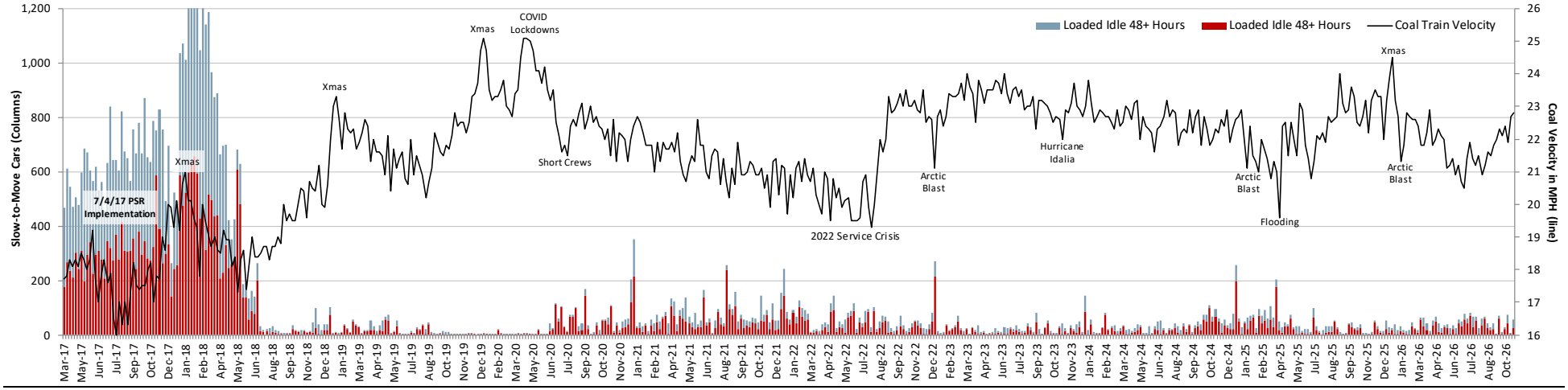


Source: CSX & STB.

Coal Train Efficiency

Coal velocity slightly better leading into the IT outage. Slow-to-move coal cars running at 57.

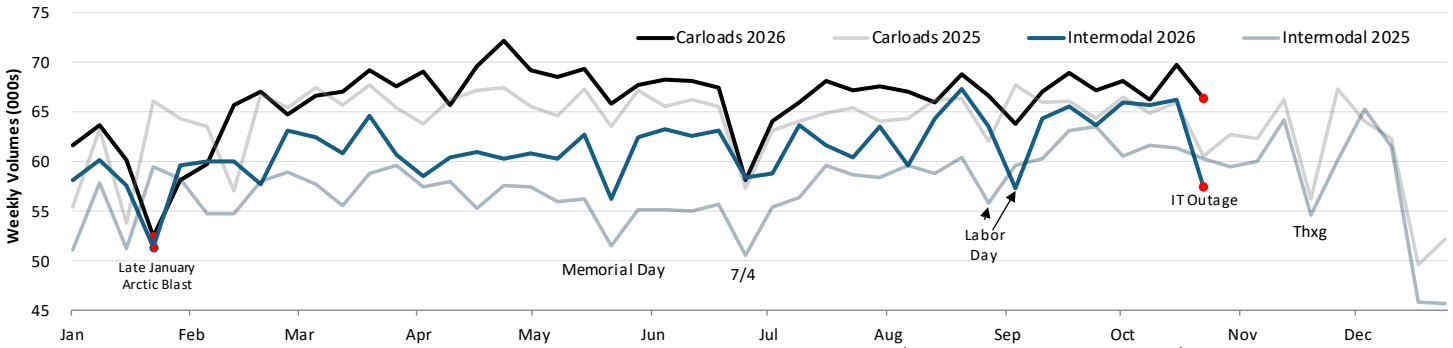
Figure 25: CSX Average Coal Train Speed (higher is better) and Slow-to-Move Cars (lower is better)



Source: CSX & STB.

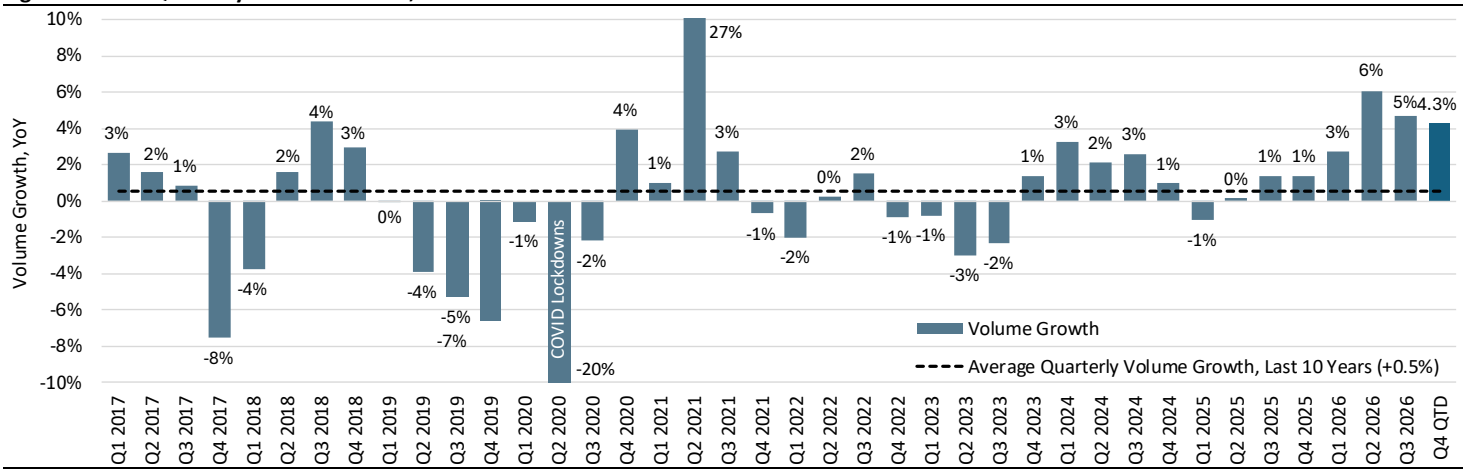
PUBLIC REDACTED VERSION

CSX Volumes Through Week Ending 10/31/26



CSX		Year-to-Date			Q4 Quarter-to-Date			Week Ending 10/31/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Coal	Coal	566.7	553.7	2.4%	62.9	58.5	7.6%	13.3	10.5	26.5%
(13% of Sales)	Metallic Ores	33.4	28.9	15.5%	3.6	2.6	38.3%	0.9	0.7	25.4%
	Coke	56.4	46.6	21.0%	6.0	3.9	56.5%	1.4	0.8	64.7%
	Total Coal	**656.5**	**629.2**	**4.3%**	**72.6**	**64.9**	**11.8%**	**15.6**	**12.1**	**29.1%**
Chemicals	Chemicals	437.9	438.1	(0.0%)	42.5	43.5	(2.4%)	9.7	9.1	7.0%
(20% of Sales)	Petroleum Products	109.4	109.5	(0.1%)	11.2	10.5	6.9%	2.6	2.3	11.8%
	Total Chemicals	**547.4**	**547.7**	**(0.1%)**	**53.7**	**54.0**	**(0.6%)**	**12.3**	**11.4**	**8.0%**
Automotive (8% of Sales)	**Motor Vehicles & Equipment**	**321.8**	**322.5**	**(0.2%)**	**35.3**	**33.2**	**6.4%**	**8.1**	**7.3**	**10.1%**
Agricultural & Food	Grain	129.2	122.9	5.1%	13.3	12.3	8.1%	2.7	2.7	(1.1%)
(11% of Sales)	Grain Mill Products	100.9	97.8	3.2%	10.5	10.6	(1.0%)	2.3	2.4	(3.0%)
	Farm Products, Ex Grain	6.1	5.6	9.1%	0.5	0.5	14.9%	0.1	0.1	(0.7%)
	Food & Kindred Products	87.1	87.1	0.0%	8.9	8.8	0.5%	2.0	2.0	1.5%
	Total & Food	**323.3**	**313.4**	**3.2%**	**33.1**	**32.1**	**3.1%**	**7.1**	**7.2**	**(1.0%)**
Forest Products	Pulp & Paper Products	116.6	121.3	(3.9%)	11.3	10.9	3.5%	2.5	2.4	3.9%
(7% of Sales)	Lumber & Wood Products	53.7	49.7	8.1%	5.6	5.0	12.2%	1.2	1.1	12.1%
	Primary Forest Products	26.6	26.8	(0.8%)	2.8	2.7	2.8%	0.6	0.6	3.9%
	Total Forest Products	**196.9**	**197.8**	**(0.5%)**	**19.7**	**18.6**	**5.8%**	**4.4**	**4.1**	**6.1%**
Metals	Metals & Products	122.0	117.3	4.0%	12.2	10.7	13.8%	3.0	2.6	17.2%
(6% of Sales)	Iron & Steel Scrap	71.3	65.7	8.5%	7.7	7.0	9.7%	1.9	1.6	16.9%
	Waste & Scrap	132.3	117.7	12.4%	14.4	13.4	7.4%	3.0	3.0	0.5%
	Total Metals	**325.6**	**300.7**	**8.3%**	**34.3**	**31.1**	**10.1%**	**7.9**	**7.2**	**10.1%**
Phosphates & Fertilizers (4% of Sales)	**Non-metallic Minerals**	**86.0**	**81.4**	**5.7%**	**9.3**	**8.8**	**6.6%**	**2.1**	**2.2**	**(1.9%)**
Minerals	Crushed Stone, Sand, & Gravel	235.2	230.7	2.0%	23.4	24.4	(4.2%)	5.1	5.2	(1.8%)
(6% of Sales)	Stone, Clay & Glass	126.0	128.8	(2.2%)	13.1	14.0	(6.5%)	3.0	3.2	(4.4%)
	All Other Carloads	45.2	43.2	4.8%	4.7	4.8	(2.8%)	0.7	0.7	(8.0%)
	Total Minerals & Other	**406.4**	**402.6**	**0.9%**	**41.2**	**43.3**	**(4.8%)**	**8.8**	**9.1**	**(3.2%)**
	TOTAL CARLOADS	**2,863.9**	**2,795.4**	**2.5%**	**299.3**	**286.1**	**4.6%**	**66.3**	**60.6**	**9.5%**
Intermodal	Containers	2,594.4	2,429.9	6.8%	276.0	265.0	4.1%	56.1	58.7	(4.5%)
(15% of Sales)	Trailers	60.2	57.6	4.6%	6.6	6.6	(0.2%)	1.3	1.5	(13.1%)
	TOTAL INTERMODAL	**2,654.6**	**2,487.5**	**6.7%**	**282.5**	**271.6**	**4.0%**	**57.4**	**60.3**	**(4.7%)**
	TOTAL	**5,518.5**	**5,282.9**	**4.5%**	**581.8**	**557.7**	**4.3%**	**123.8**	**120.9**	**2.4%**

Figure 26: CSX Quarterly Volume Growth, Last Ten Years



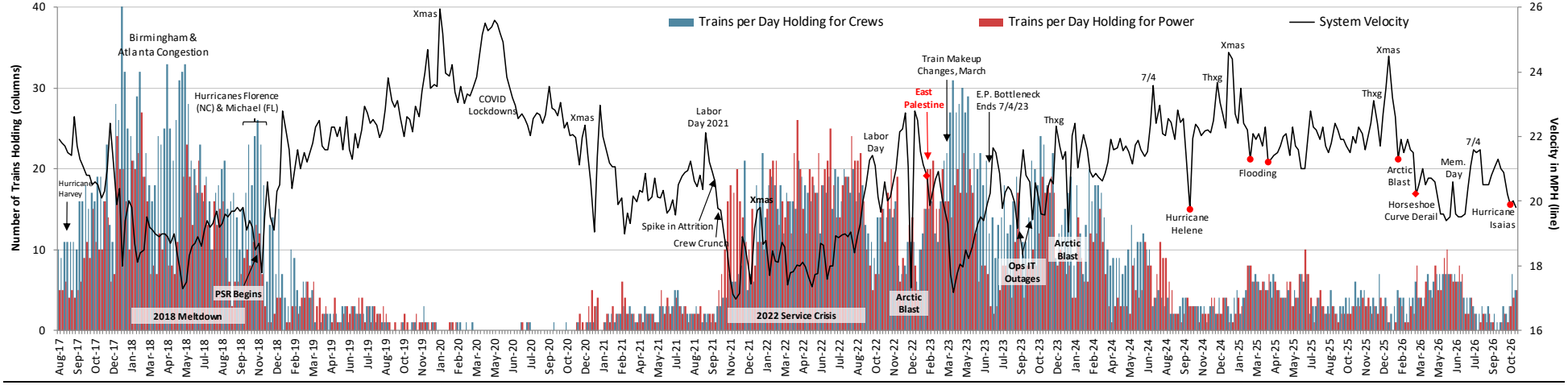
Source (all charts and tables): STB & www.investors.csx.com/metrics.

Norfolk Southern

Network Velocity and Trains Holding for Crews and Power

Network velocity downticked 0.2 mph to a 17-week low through October 30. Trains holding for crews improved from seven to five per day, while trains holding for power added one to five per day. Despite NS reporting low trains holding for crews, management has stated on the last three earnings calls that it is short, and is now scrambling to find warm bodies with $30-50K signing bonuses for experienced conductors. That's worth a try if it can speed the restoration of crew buffers.

Figure 27: Norfolk Southern Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

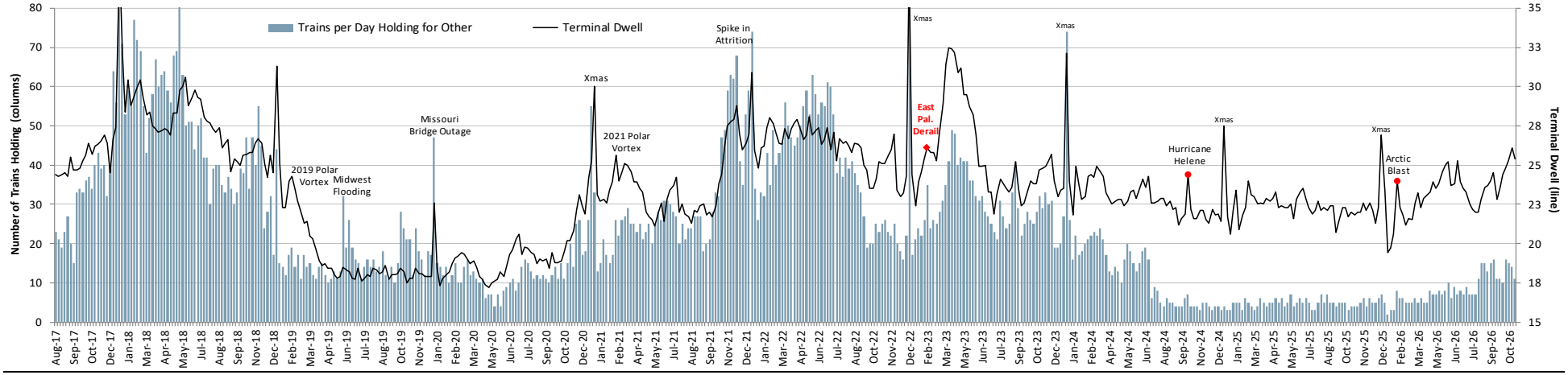


Source: Norfolk Southern & STB. NS trains holding is based on a daily snapshot that counts the number of trains delayed four hours or more as at 6AM every day.

Terminal Dwell and Trains Holding for Other Reasons

Terminal dwell saw a welcome inflection lower in the week ending October 30 after hitting a multi-year high the week prior (back to June 2023, excluding artificial Christmas effects). Trains holding for all reasons other than power and crews also improved, from 14 to 11 per day last week.

Figure 28: NS Terminal Dwell (lower is better) and Trains per Day Holding for Reasons Other than Power and Crews (lower is better)

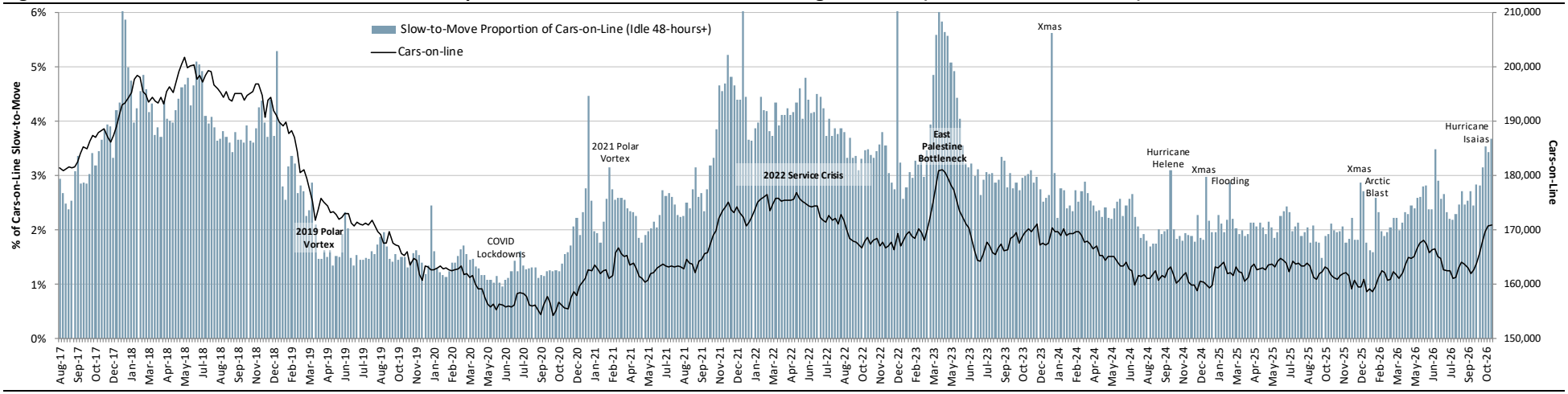


Source: Norfolk Southern & STB. NS trains holding is based on a daily snapshot that counts the number of trains delayed four hours or more as at 6AM every day.

Cars Online and the Proportion Slow-to-Move

Here's where things remain problematic. Cars online were flat last week, but the subset of them idle for 48+ hours (slow-to-move) continues to rise. Here's the trend over the last five weeks: 4,657, 5,293, 6,019, 5,877, 6,290. Those last two numbers, divided by cars online, result in slow-to-move percentages of 3.4% and 3.7% (blue columns). As you can see in the chart, the 3.7% is a new 3.5 year high.

Figure 29: Norfolk Southern Cars Online and the Proportion Idle for 48-hours or more During the Week (lower is better for both)

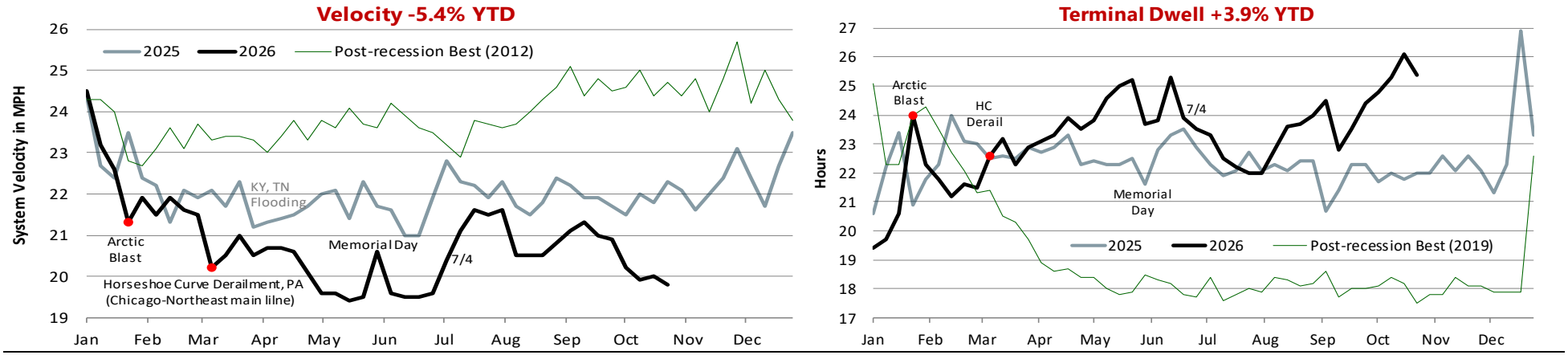


Source: Norfolk Southern & STB.

Year-over-Year Network Velocity and Terminal Dwell

The YTD numbers tell the story and NS seems determined to replay the May/June struggles, currently.

Figure 30: Norfolk Southern Velocity and Terminal Dwell

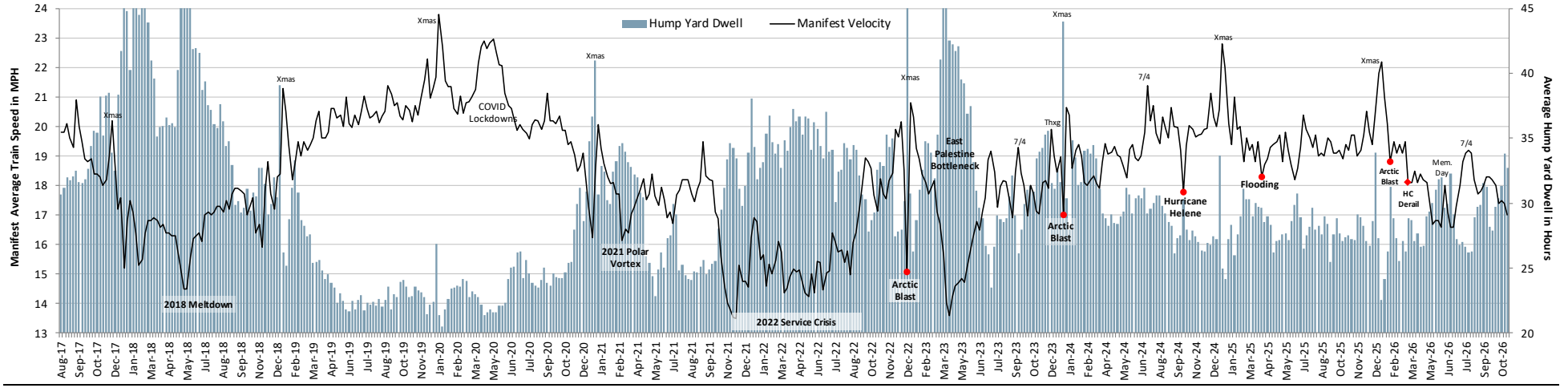


Source: Norfolk Southern & STB.

Manifest Network Efficiency

After a particularly bad hump yard performance two weeks ago, we saw a welcome downtick in average hump dwell in the week ending October 30, from 33.9 to 32.7 hours. Hopefully this is the start of something. However, manifest velocity is still unable to escape the negative gravity that seems to be embedded in the network; shedding another 2.3% in speed last week. On-time performance measures also tell a bleak story, with manifest trip plan compliance languishing at a 3.5 year low of 61.4% over the last two weeks, and manifest estimated on-time performance (STB EP787) falling to 64.5% last week, which is the lowest reading since that data started in July.

Figure 31: Norfolk Southern Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

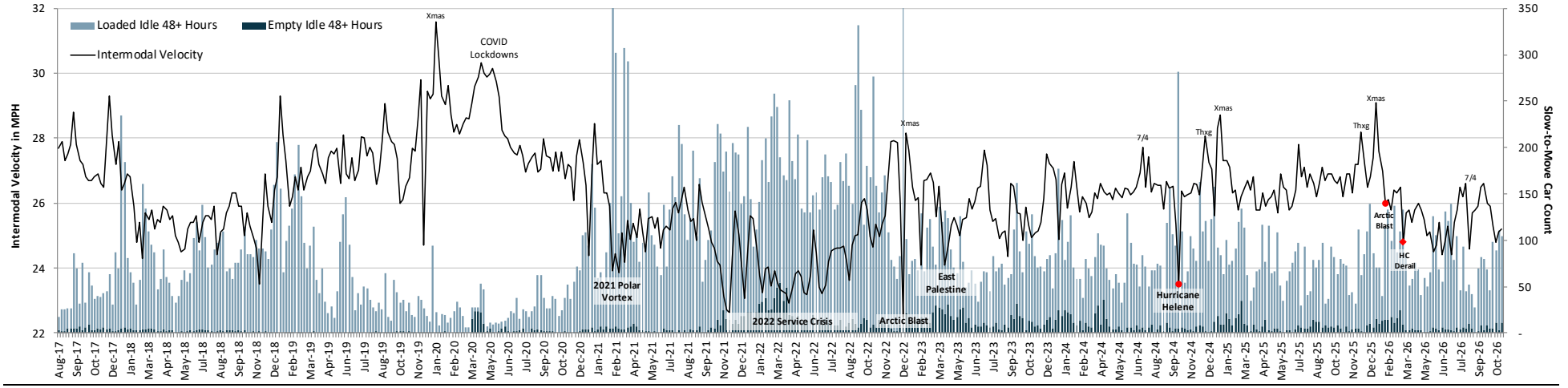


Source: Norfolk Southern & STB. Hump Yard Dwell represents average dwell for Norfolk Southern's six active hump yards.

Intermodal Network Efficiency

Intermodal velocity edged 0.4% higher in the week ending October 30. Slow-to-move intermodal platforms were sequentially stable at 104.

Figure 32: Norfolk Southern Intermodal Average Train Speed (higher is better) and Slow-to-Move Platforms (lower is better)

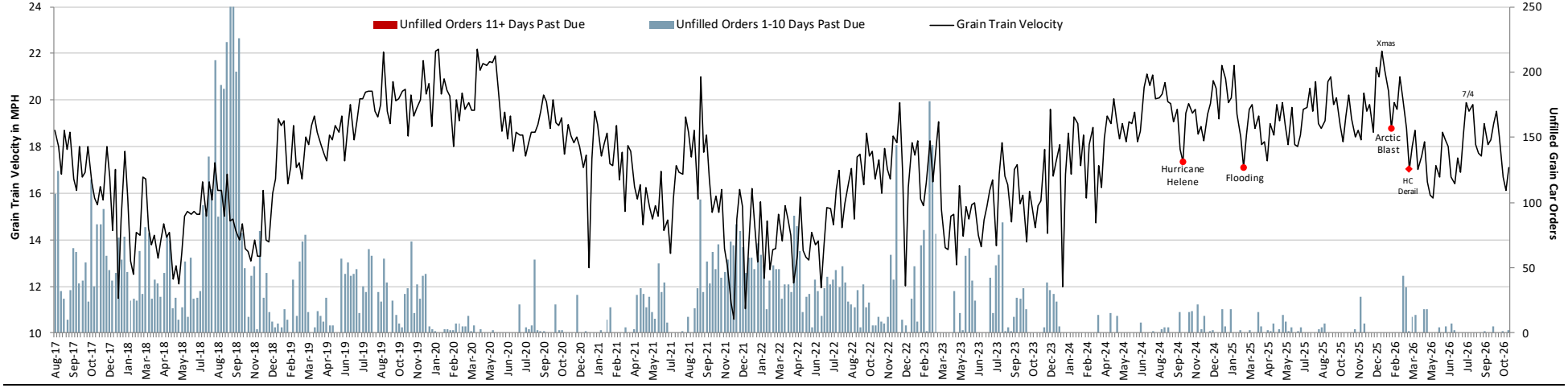


Source: Norfolk Southern & STB

Grain Train Efficiency

Better news for grain shippers, with NS grain unit train velocity 6.2% better in the week ending October 30. Unfilled customer grain car orders were reported to be just two.

Figure 33: Norfolk Southern Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

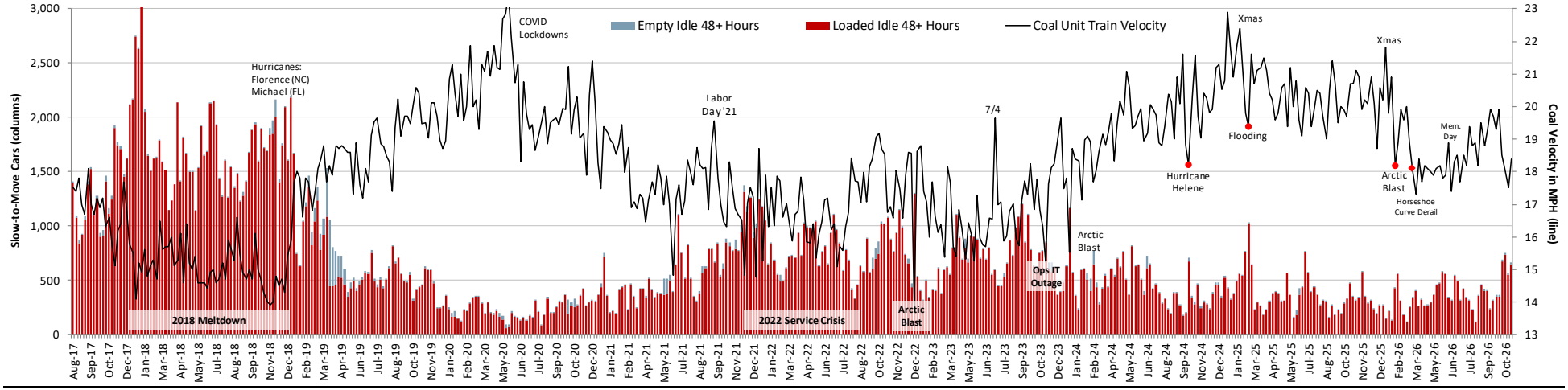


Source: Norfolk Southern & STB.

Coal Train Efficiency

Also a handy partial recovery in average coal unit train speed; accelerating 5.1% last week as it bounced off a four-month low. Slow-to-move coal cars a little higher, however, from 569 to 665.

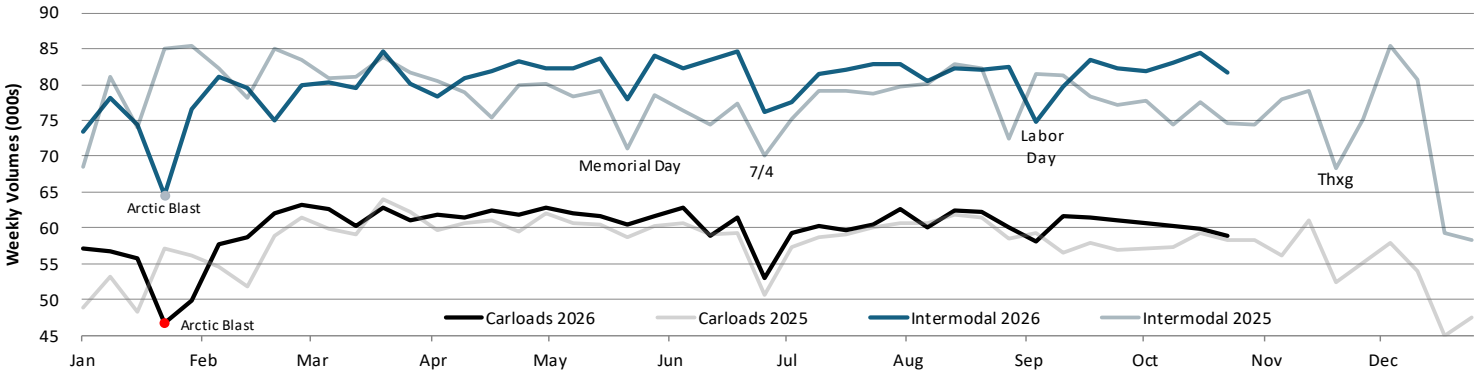
Figure 34: Norfolk Southern Average Coal Train Speed (higher is better) and Slow-to-Move Cars (lower is better)



Source: Norfolk Southern & STB.

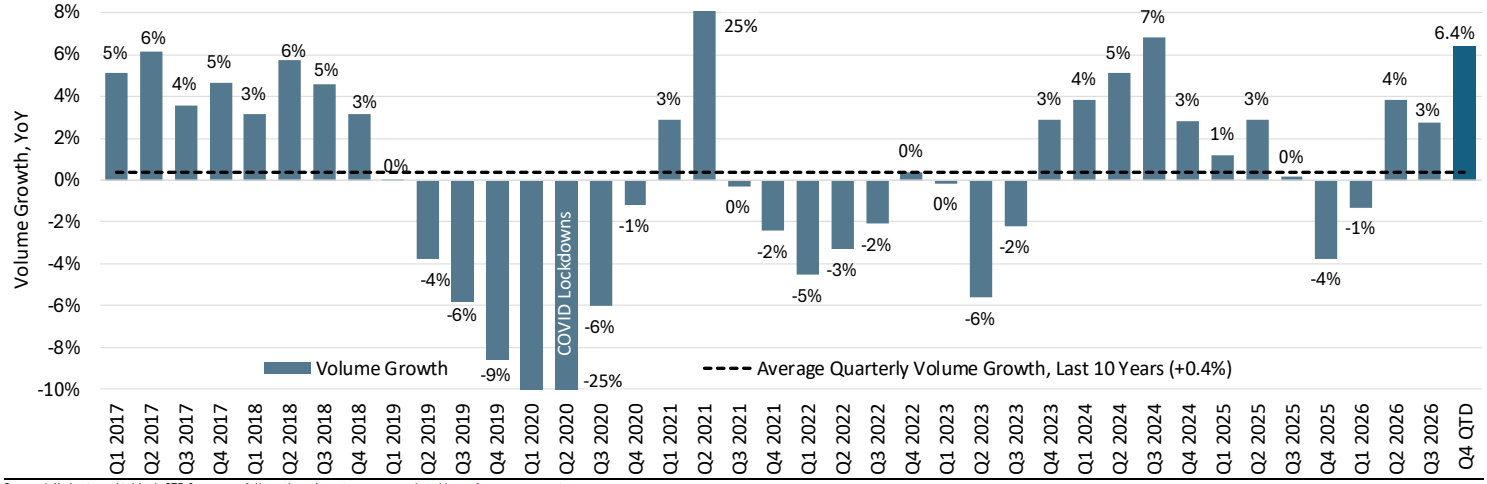
PUBLIC REDACTED VERSION

Norfolk Southern Volumes Through Week Ending 10/31/26



Norfolk Southern		Year-to-Date			Q4 Quarter-to-Date			Week Ending 10/31/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Coal	Coal	582.4	552.2	5.5%	55.4	52.3	6.0%	12.0	12.1	(0.8%)
(12% of Sales)	Coke	28.6	28.8	(0.9%)	3.0	3.0	(0.6%)	0.7	0.7	(5.8%)
	Total Coal	**610.9**	**581.0**	**5.2%**	**58.4**	**55.3**	**5.6%**	**12.7**	**12.8**	**(1.1%)**
Chemicals	Chemicals	342.0	331.6	3.1%	35.8	33.5	6.8%	7.7	7.3	5.0%
(18% of Sales)	Petroleum Products	122.5	105.7	15.9%	12.8	12.4	3.3%	3.0	2.8	5.6%
	Non-metallic Minerals	21.0	19.2	9.3%	2.4	2.5	(5.0%)	0.6	0.5	4.7%
	Total Chemicals	**485.4**	**456.4**	**6.3%**	**51.0**	**48.4**	**5.3%**	**11.2**	**10.7**	**5.1%**
Metals & Construction	Metals & Products	212.6	206.1	3.2%	22.3	19.6	13.9%	5.2	4.6	14.1%
(14% of Sales)	Crushed Stone, Sand & Gravel	204.1	200.1	2.0%	21.4	20.2	5.9%	4.3	4.6	(7.3%)
	Stone, Clay & Glass	111.0	104.3	6.5%	11.6	11.5	1.0%	2.7	2.6	4.2%
	Iron & Steel Scrap	81.1	78.8	2.8%	8.6	8.3	2.5%	2.0	1.8	13.3%
	Metallic Ores	4.5	3.4	30.4%	0.4	0.4	5.0%	0.1	0.1	(27.3%)
	Total Metals/Construction	**613.3**	**592.7**	**3.5%**	**64.3**	**60.0**	**7.1%**	**14.3**	**13.7**	**4.6%**
Agriculture, Forest & Consumer	Grain	142.8	147.9	(3.4%)	12.8	15.1	(15.2%)	3.0	3.6	(14.5%)
(21% of Sales)	Grain Mill Products	106.8	104.7	2.0%	10.8	10.8	(0.3%)	2.5	2.3	9.6%
	Food & Kindred Products	75.5	74.0	2.0%	8.0	8.1	(1.4%)	1.8	1.9	(3.1%)
	Farm Products, Ex Grain	7.1	7.4	(4.5%)	0.7	0.7	(0.7%)	0.2	0.2	(19.8%)
	Pulp & Paper Products	90.4	94.8	(4.6%)	9.0	9.0	0.4%	2.0	2.0	2.0%
	Lumber & Wood Products	38.9	38.3	1.3%	4.1	3.8	7.8%	0.9	0.8	13.9%
	Primary Forest Products	12.4	13.5	(7.7%)	1.3	1.4	(10.2%)	0.2	0.3	(20.7%)
	Waste & Other Scrap	66.2	65.0	2.0%	7.0	6.7	5.2%	1.5	1.5	(4.2%)
	All Other Carloads	21.5	24.5	(12.1%)	2.5	2.5	0.1%	0.6	0.7	(18.1%)
	Total Ag, Forest, Consumer	**561.7**	**570.0**	**(1.5%)**	**56.3**	**58.2**	**(3.3%)**	**12.8**	**13.3**	**(3.8%)**
Automotive (10% of Sales)	**Motor Vehicles & Equipment**	**325.6**	**330.0**	**(1.4%)**	**35.9**	**34.3**	**4.7%**	**7.9**	**7.8**	**0.7%**
	TOTAL CARLOADS	**2,596.9**	**2,530.2**	**2.6%**	**265.8**	**256.2**	**3.7%**	**58.8**	**58.2**	**1.0%**
Intermodal	Containers	3,395.6	3,326.2	2.1%	356.9	329.0	8.5%	79.4	72.8	9.1%
(25% of Sales)	Trailers	83.3	81.7	1.9%	9.6	8.9	7.0%	2.2	1.8	21.9%
	TOTAL INTERMODAL	**3,479.0**	**3,407.9**	**2.1%**	**366.4**	**338.0**	**8.4%**	**81.7**	**74.6**	**9.4%**
	TOTAL	**6,075.8**	**5,938.1**	**2.3%**	**632.2**	**594.1**	**6.4%**	**140.5**	**132.9**	**5.7%**

Figure 35: Norfolk Southern Quarterly Volume Growth, Last Ten Years



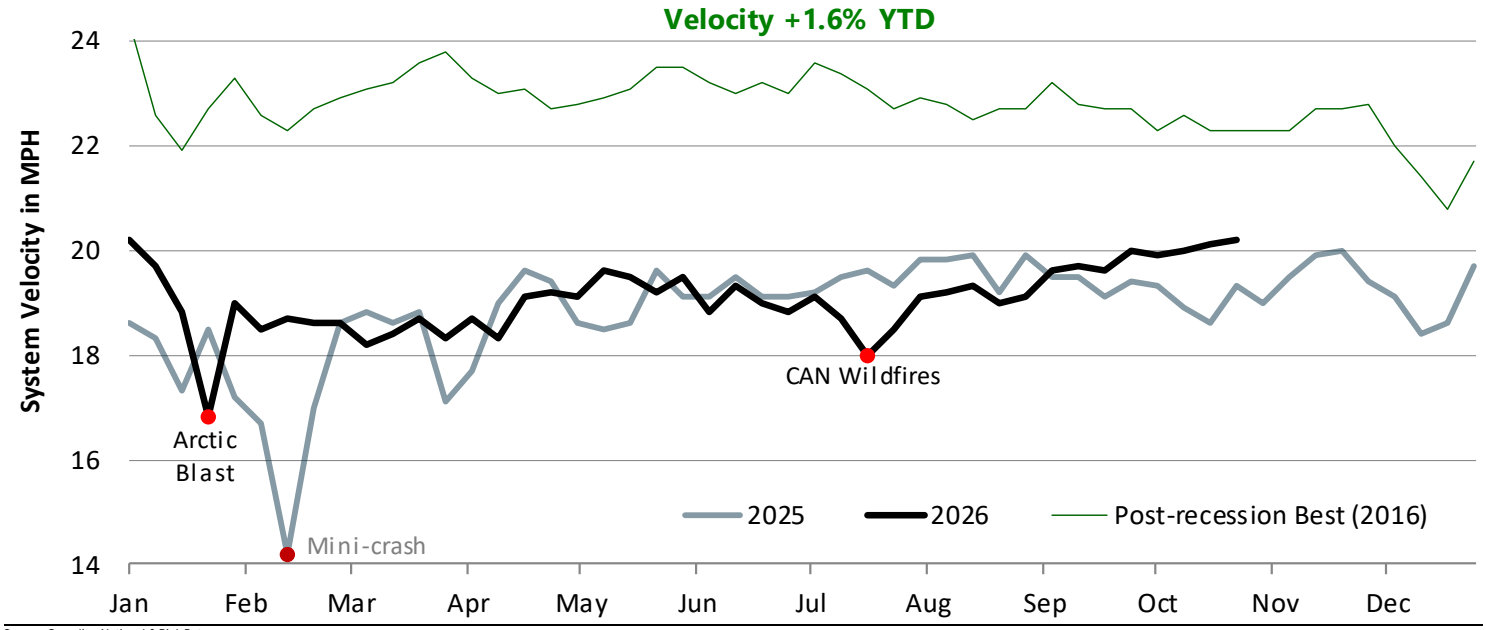
Source (all charts and tables): STB & www.norfolksouthern.investorroom.com/weekly-performance-reports.

Canadian National

Velocity and dwell have been on a nice, improving, glide paths in recent weeks and now approximate YTD bests, although the strong operational performance is due in part to an absence of volume pressure. Regardless, CN will go into winter with very good fluidity…and the better you go in, the better you come out.

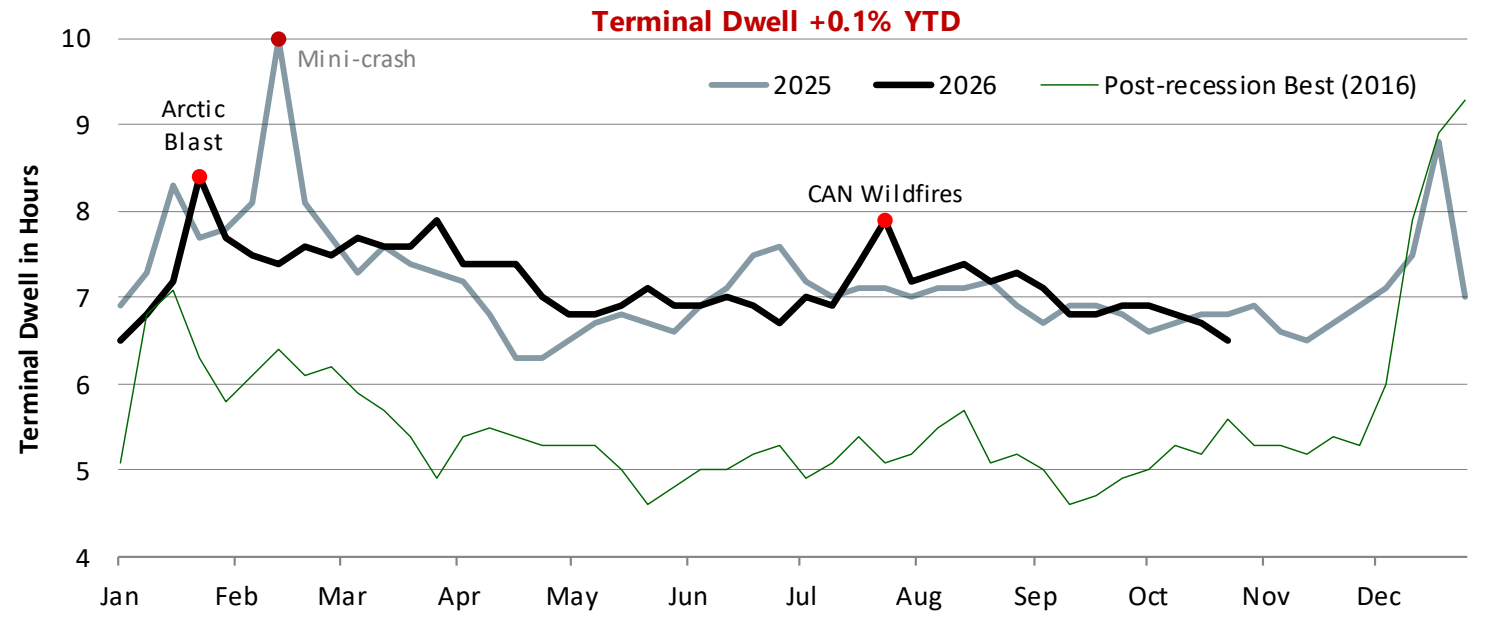
Year-over-Year Network Velocity and Terminal Dwell

Figure 36: Canadian National Full System Velocity



Source: Canadian National & Rick Paterson.

Figure 37: Canadian National Full System Terminal Dwell



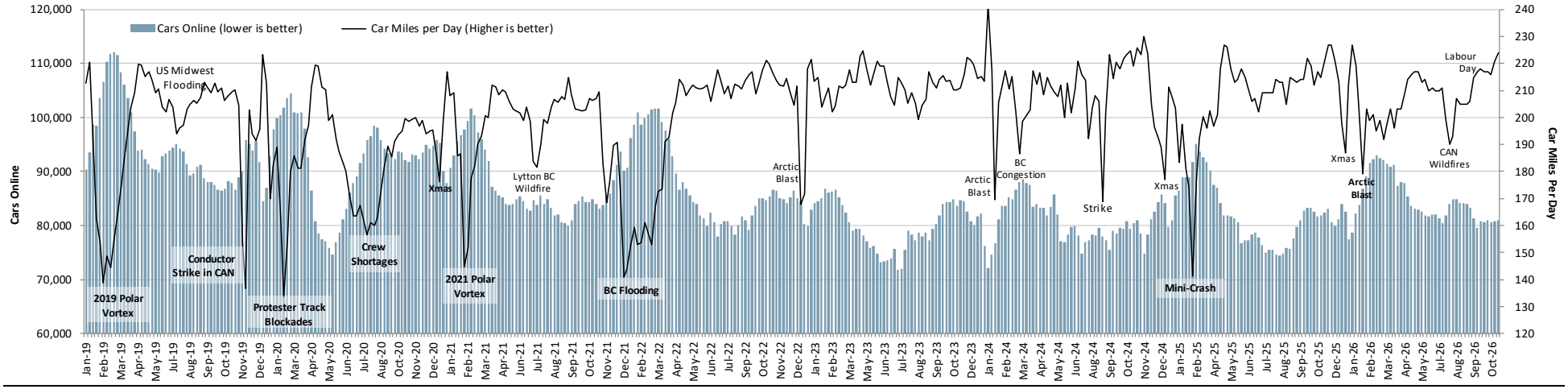
Source: Canadian National & Rick Paterson.

Note CN reports terminal dwell inclusive of "run-through trains", which heavily distorts this metric lower because it includes minimal dwell for cars on trains that have only stopped briefly to change crews or refuel (no switching). e.g. ~24 hours dwell for classified cars and ~3 hours dwell for cars on run-through trains. This is why CN and CPKC dwell is much lower than the mid-20s reported by the US railroads.

Cars Online and Car Miles Per Day

Car miles per day continues to rally, hitting 224 in the week ending October 30, which is a high we haven't seen since the first week of January (artificially boosted by the Xmas-New Year slingshot effect). CN's normal healthy range is 200-220 and we're over the top. Cars online at 81,000, which is comfortably below the 85,000 historical breakpoint where rolling stock clutter becomes a headwind for the network. Winter is where we see this seasonally tested in February/March.

Figure 38: Canadian National Cars Online (lower is better) and Car Miles Per Day (higher is better)

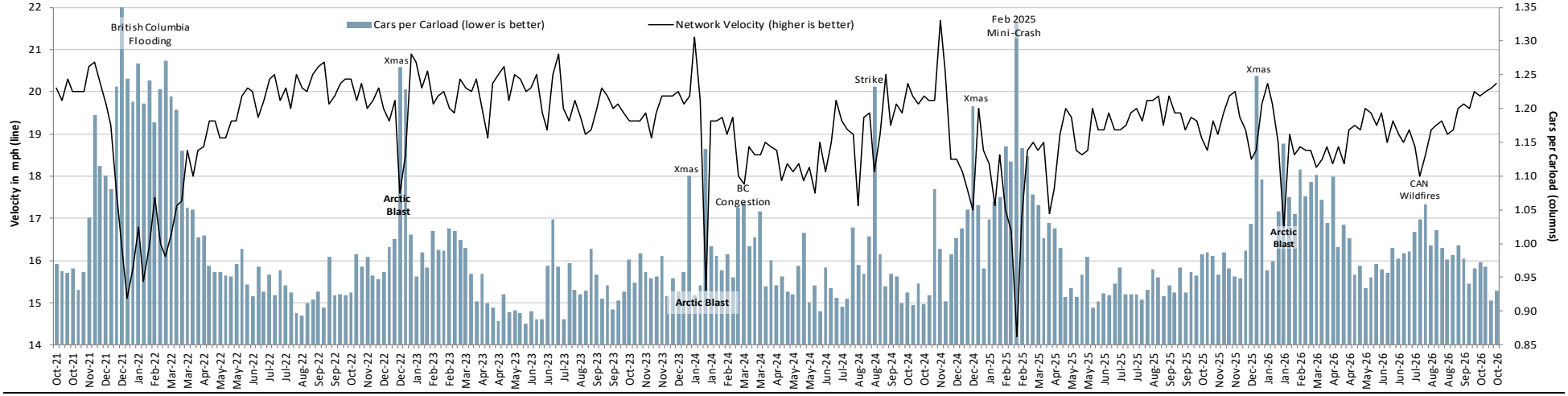


Source: Canadian National

Cars per Carload and Network Velocity

Velocity upticked in the week ending October 30 to 20.2 mph which, like car miles per day, is essentially a YTD high. Cars per carload (columns, far right, and definition below the chart) upticked from 0.92 to 0.93. Anything below 1.0 is historically solid for CN and, again, it's only in the depths of the Canadian winter where keeping this ratio in check becomes a challenge.

Figure 39: Canadian National Cars per Carload (lower is better) and Network Velocity (higher is better)

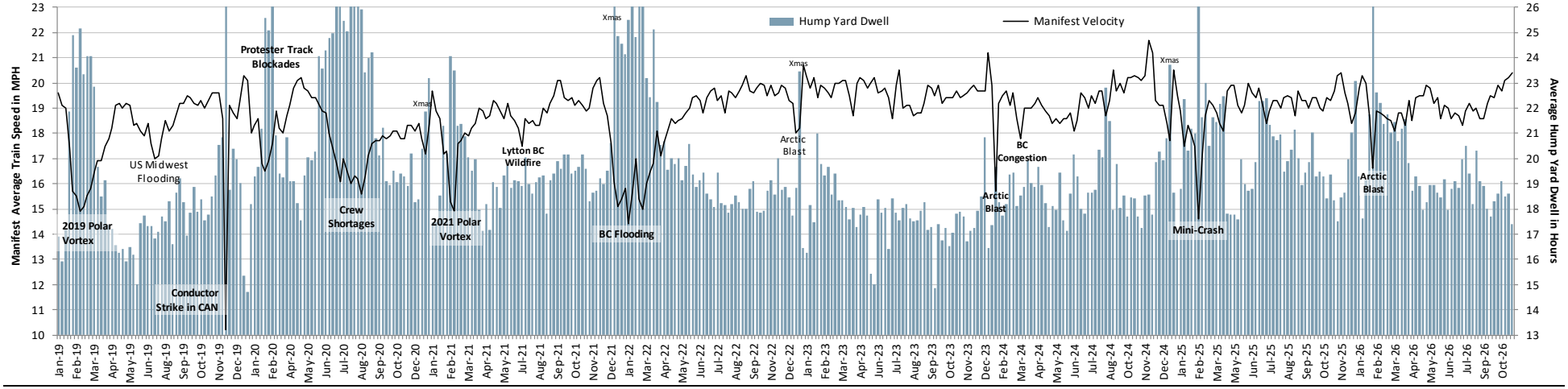


Source: Canadian National. Cars per Carload defined as weekly cars online divided by weekly loads, with intermodal divided by two to adjust containers to cars.

Manifest Network Efficiency

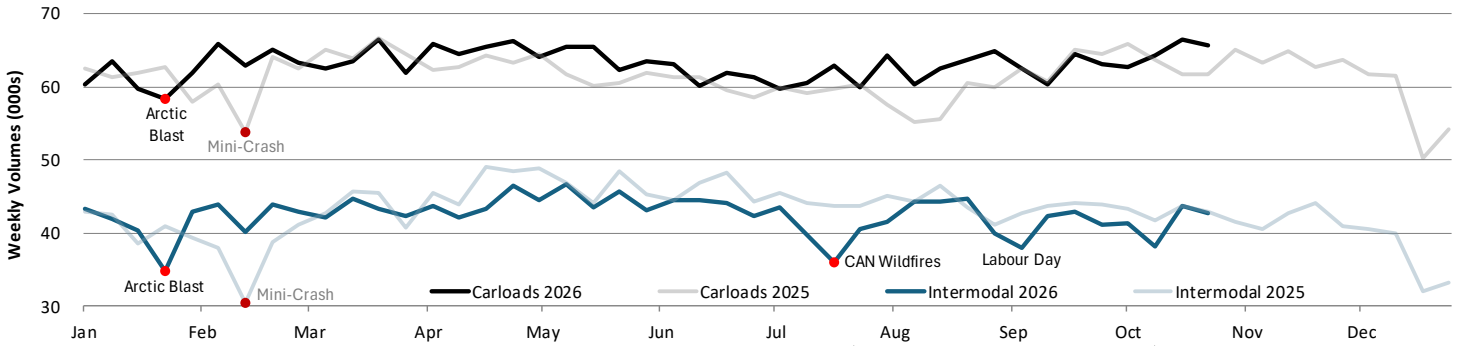
Manifest velocity accelerated by another 1% in the week ending October 30 to an 11-month high. CN's hump yards had a good week, with average dwell dropping 6.5% to 17.4 hours (inclusive of run-through trains).

Figure 40: Canadian National Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)



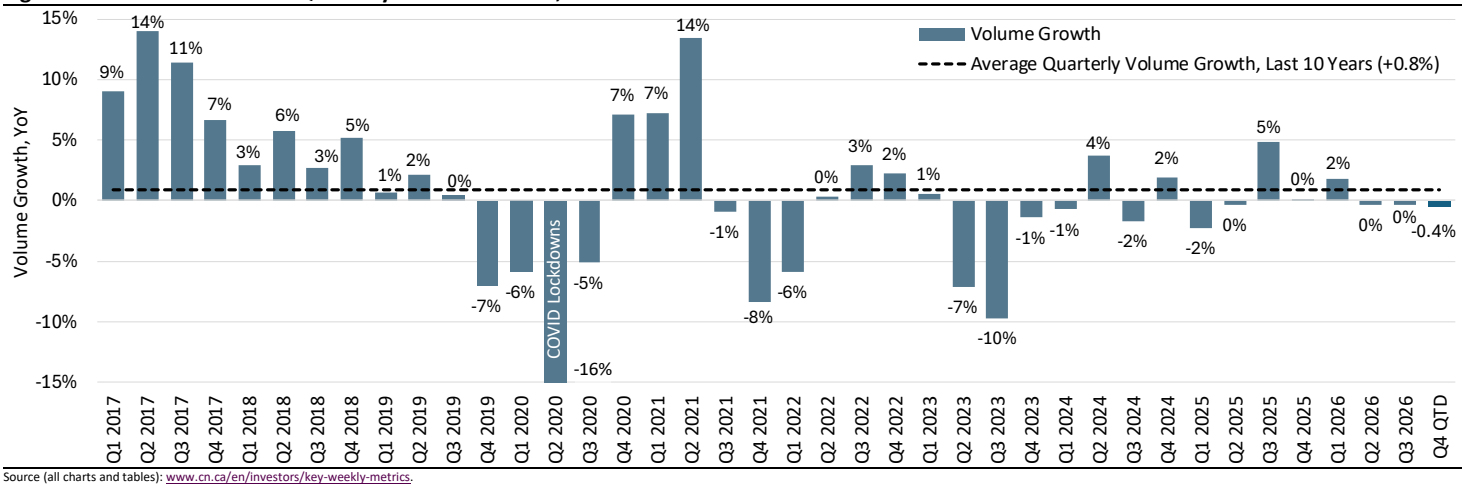
Source: Canadian National. Hump dwell is the average of MacMillan Yard, ON, Symington Yard, MB, and Harrison Yard, TN. CN's fourth hump, Kirk Yard, IN, is excluded because its dwell is calculated differently (reported to the STB excluding run-through trains whereas the other three are reported on CN's website inclusive of run-through.)

Canadian National Volumes Through Week Ending 10/31/26



Canadian National		Year-to-Date			Q4 Quarter-to-Date			Week Ending 10/31/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Petroleum & Chemicals	Chemicals	391.4	381.3	2.6%	39.8	38.1	4.6%	9.4	8.6	8.5%
(20% of Sales)	Petroleum Products	294.1	269.6	9.1%	29.8	28.2	5.6%	6.6	6.1	7.1%
	Non-metallic Minerals	50.3	49.8	0.9%	5.2	5.5	(4.8%)	1.1	1.5	(28.1%)
	Total Petroleum & Chemicals	**735.8**	**700.7**	**5.0%**	**74.8**	**71.7**	**4.3%**	**17.0**	**16.3**	**4.6%**
Grain & Fertilizers	Grain	262.8	240.0	9.5%	31.3	33.3	(6.0%)	6.1	7.9	(22.4%)
(21% of Sales)	Farm Products, Ex Grain	77.3	59.8	29.2%	9.3	7.7	20.1%	2.5	1.2	109.7%
	Grain Mill Products	59.8	56.7	5.5%	6.3	6.4	(0.7%)	1.5	1.7	(11.7%)
	Food & Kindred Products	85.5	77.5	10.3%	9.0	8.4	7.9%	2.3	1.9	17.3%
	Total Grain & Fertilizers	**485.4**	**434.1**	**11.8%**	**55.9**	**55.8**	**0.3%**	**12.5**	**12.8**	**(2.3%)**
Forest Products	Pulp & Paper Products	106.4	102.7	3.5%	10.7	10.1	6.5%	2.4	2.3	2.1%
(11% of Sales)	Lumber & Wood Products	90.8	94.8	(4.3%)	9.2	8.5	8.1%	2.2	2.1	3.5%
	Primary Forest Products	20.9	25.9	(19.2%)	2.3	2.2	3.3%	0.5	0.5	(9.8%)
	Total Forest Products	**218.1**	**223.4**	**(2.4%)**	**22.3**	**20.9**	**6.8%**	**5.0**	**5.0**	**1.4%**
Metals & Minerals	Metallic Ores	422.1	417.0	1.2%	43.9	41.4	6.1%	9.4	7.9	18.3%
(11% of Sales)	Crushed stone, Sand, & Gravel	117.1	118.1	(0.9%)	13.8	12.3	12.3%	3.3	2.5	30.5%
	Metals & Products	58.8	60.8	(3.3%)	5.5	5.9	(7.8%)	1.3	1.3	(1.5%)
	Stone, Clay & Glass	43.2	42.4	2.1%	4.5	4.8	(5.9%)	1.0	1.2	(20.8%)
	All Other Carloads	63.3	55.2	14.6%	6.6	5.7	15.8%	1.9	1.4	29.7%
	Iron & Steel Scrap	36.2	29.0	24.7%	3.8	3.1	21.3%	0.8	0.7	6.3%
	Waste & Other Scrap	14.3	14.6	(1.7%)	1.3	1.4	(5.4%)	0.3	0.4	(11.9%)
	Total Metals & Minerals	**755.0**	**737.1**	**2.4%**	**79.5**	**74.7**	**6.4%**	**17.9**	**15.5**	**15.3%**
Autos (5% of Sales)	**Motor Vehicles & Equipment**	**179.8**	**177.2**	**1.5%**	**17.6**	**17.8**	**(1.3%)**	**3.7**	**3.4**	**8.3%**
Coal	Coal	313.1	340.8	(8.1%)	32.3	35.3	(8.5%)	8.6	8.0	7.4%
(6% of Sales)	Coke	50.0	54.5	(8.3%)	3.8	5.1	(24.7%)	1.0	0.9	20.9%
	Total Coal	**363.1**	**395.3**	**(8.1%)**	**36.2**	**40.4**	**(10.5%)**	**9.6**	**8.9**	**8.7%**
	TOTAL CARLOADS	**2,737.3**	**2,667.9**	**2.6%**	**286.3**	**281.3**	**1.8%**	**65.7**	**61.8**	**6.4%**
Intermodal	Containers	1,839.7	1,889.5	**(2.6%)**	183.6	190.4	**(3.6%)**	42.6	42.8	**(0.4%)**
(22% of Sales)	Trailers	0.0	0.0		0.0	0.0		0.0	0.0	
	TOTAL INTERMODAL	**1,839.7**	**1,889.5**	**(2.6%)**	**183.6**	**190.4**	**(3.6%)**	**42.6**	**42.8**	**(0.4%)**
	TOTAL	**4,577.0**	**4,557.4**	**0.4%**	**469.8**	**471.7**	**(0.4%)**	**108.4**	**104.6**	**3.6%**

Figure 41: Canadian National Quarterly Volume Growth, Last Ten Years

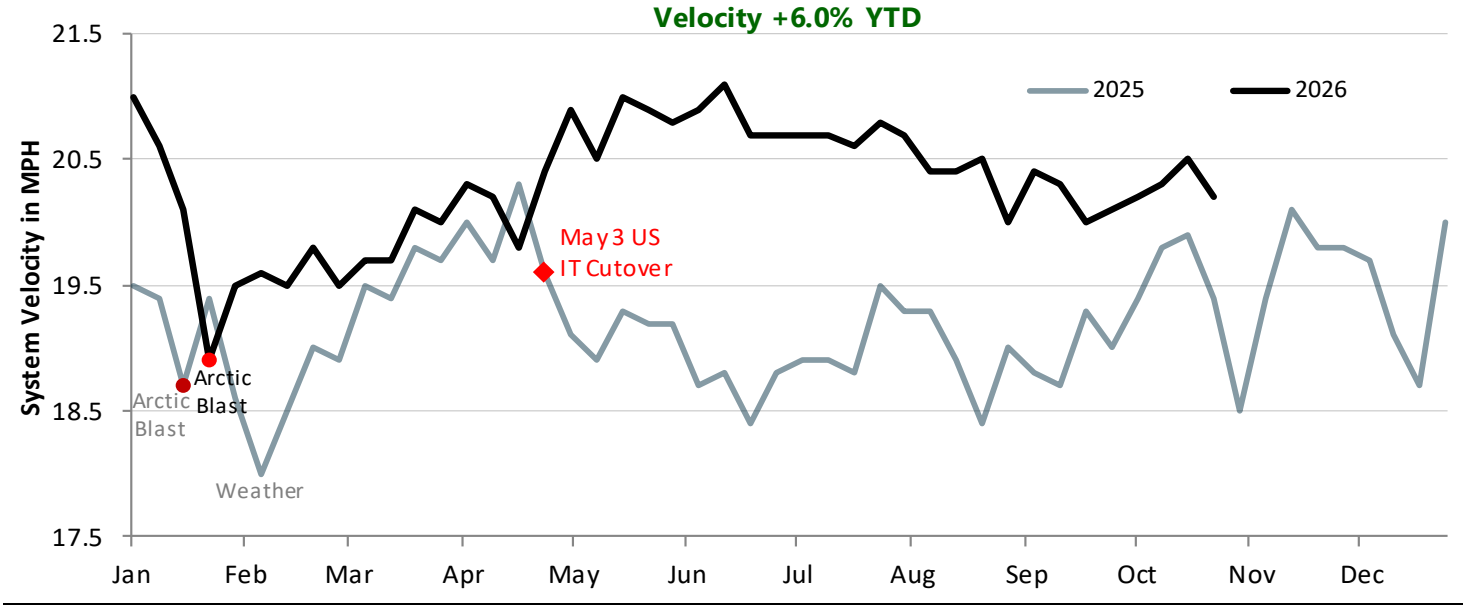


Source (all charts and tables): www.cn.ca/en/investors/key-weekly-metrics.

Velocity nicely above 2025 levels YTD, due in large part to an easy 2025 comp reflecting last year's difficult IT cutover on the US KCS properties to CP's transportation management system (from MCS to TYES). Dwell has made a strong run lower in recent weeks and is even better in terms of YoY improvement YTD.

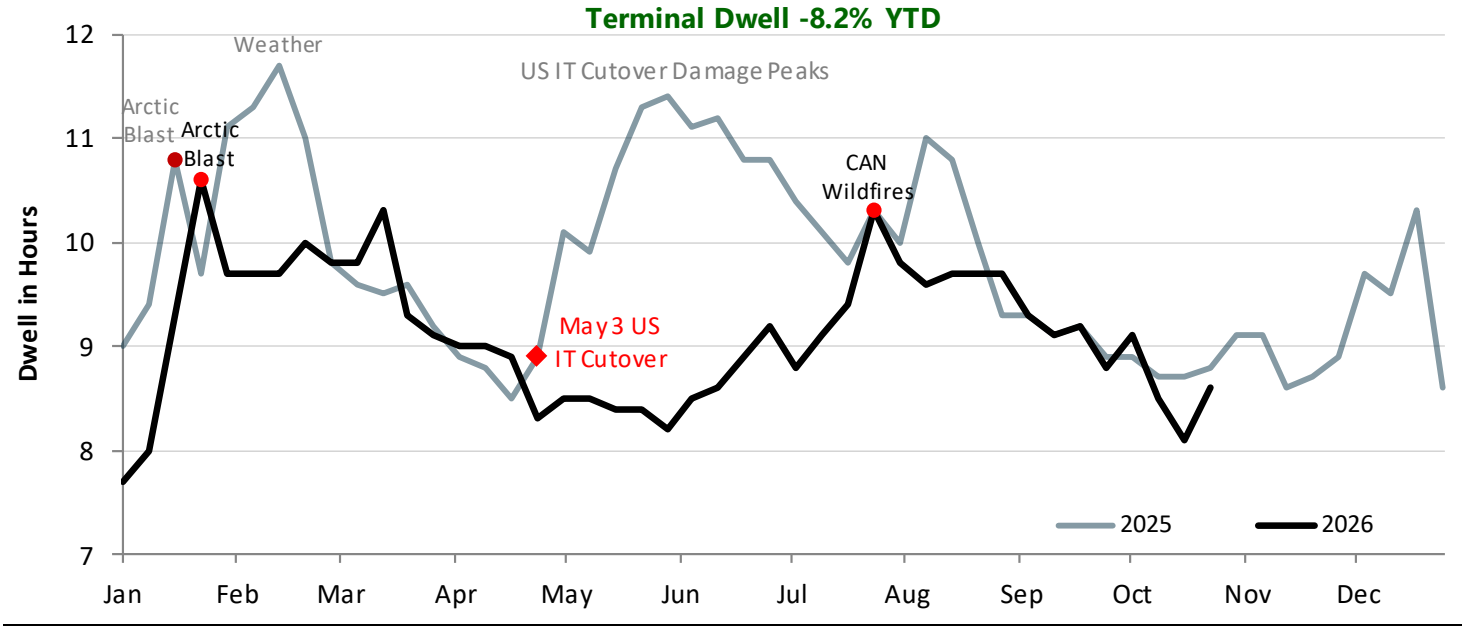
Year-over-Year Network Velocity and Terminal Dwell

Figure 42: CPKC Full System Velocity



Source: CPKC.

Figure 43: CPKC Full System Terminal Dwell

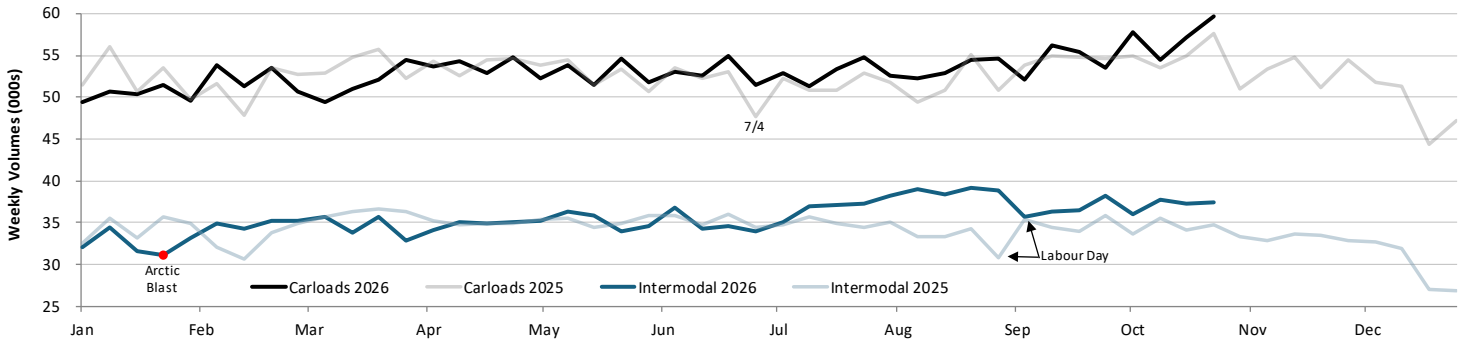


Source: CPKC.

Note CPKC reports terminal dwell inclusive of "run-through trains", which heavily distorts this metric lower because it includes minimal dwell for cars on trains that have only stopped briefly to change crews or refuel (no switching). e.g. ~24 hours dwell for classified cars and ~3 hours dwell for cars on run-through trains. This is why CPKC and CN dwell is much lower than the mid-20s reported by the US railroads.

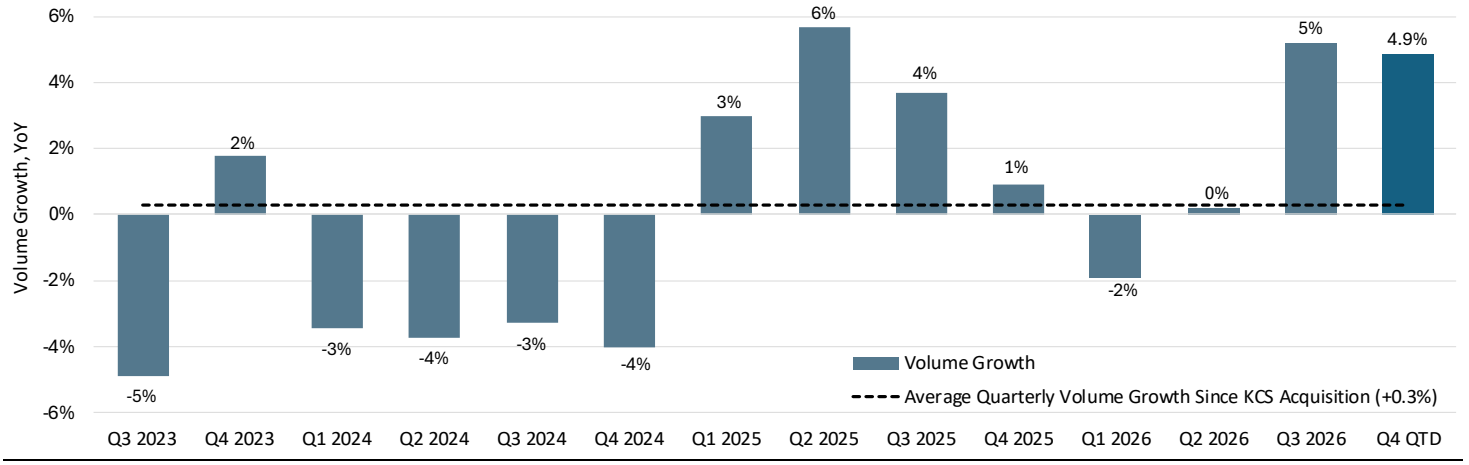
PUBLIC REDACTED VERSION

CPKC Volumes Through Week Ending 10/31/26



CPKC		Year-to-Date			Q4 Quarter-to-Date			Week Ending 10/31/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Grain	Grain	335.5	307.2	9.2%	37.9	38.5	(1.5%)	8.5	9.9	(14.6%)
(21% of Sales)	Farm Products, Ex Grain	84.9	56.0	51.7%	11.7	7.7	50.8%	2.4	1.8	35.9%
	Food & Kindred Products	88.7	78.0	13.8%	10.1	8.8	14.9%	2.3	2.1	6.6%
	Grain Mill Products	53.9	50.0	8.0%	5.3	5.3	(0.6%)	1.3	1.4	(1.6%)
	Total Grain	**563.1**	**491.1**	**14.7%**	**64.9**	**60.3**	**7.7%**	**14.5**	**15.2**	**(4.6%)**
Energy, Chemicals & Plastics	Chemicals	415.3	417.0	(0.4%)	44.5	40.6	9.6%	11.0	9.9	10.7%
(19% of Sales + 5% Potash)	Petroleum Products	244.0	253.9	(3.9%)	25.8	25.2	2.3%	5.7	5.6	0.9%
	Total Energy, Chem, Plastics	**659.2**	**670.9**	**(1.7%)**	**70.4**	**65.8**	**6.8%**	**16.7**	**15.5**	**7.2%**
Metals, Minerals & Consumer	Stone, Clay & Glass	77.8	75.5	3.1%	8.5	7.9	8.1%	2.2	1.8	22.1%
(12% of Sales)	Crushed Stone, Gravel & Sand	112.5	100.1	12.3%	12.6	11.1	13.1%	3.1	2.3	34.4%
	Metals and Products	108.8	104.2	4.4%	11.3	9.5	18.4%	2.7	2.3	17.0%
	Iron and Steel Scrap	39.7	38.8	2.5%	4.4	3.9	11.5%	1.0	0.8	24.6%
	Metallic Ores	16.3	16.7	(2.4%)	1.7	2.1	(21.5%)	0.4	0.4	5.9%
	Waste & Scrap Materials	9.5	10.2	(6.7%)	0.9	0.9	7.5%	0.2	0.2	(7.1%)
	Total Metals, Min, Consumer	**364.6**	**345.4**	**5.6%**	**39.4**	**35.5**	**11.0%**	**9.6**	**7.8**	**22.9%**
Coal	Coal	322.1	373.6	(13.8%)	36.6	40.8	(10.4%)	9.3	9.1	2.2%
(7% of Sales)	Coke	39.5	36.0	9.5%	4.8	4.1	16.3%	1.2	2.1	(43.8%)
	Total Coal	**361.6**	**409.7**	**(11.7%)**	**41.4**	**44.9**	**(8.0%)**	**10.5**	**11.2**	**(6.3%)**
Automotive (9% of Sales)	**Motor Vehicles & Equipment**	**193.4**	**201.1**	**(3.8%)**	**19.3**	**20.8**	**(7.5%)**	**4.5**	**4.3**	**6.1%**
Fertilizers & Sulphur (3% of Sales)	**Non-metallic Minerals**	**16.3**	**15.6**	**4.7%**	**2.0**	**1.8**	**12.3%**	**0.5**	**0.5**	**5.0%**
Forest Products	Primary Forest Products	2.2	1.5	54.8%	0.2	0.1	55.3%	0.1	0.0	103.8%
(5% of Sales)	Lumber and Wood Products	34.0	34.7	(2.0%)	3.3	3.2	1.5%	0.7	0.7	4.6%
	Pulp & Paper Products	66.5	71.9	(7.5%)	6.6	6.7	(1.8%)	1.6	1.4	11.8%
	Total Forest Products	**102.8**	**108.1**	**(4.9%)**	**10.1**	**10.1**	**0.1%**	**2.4**	**2.2**	**10.5%**
All Other Carloads	**Total All Other Carloads**	**44.1**	**50.9**	**(13.3%)**	**4.5**	**4.6**	**(2.1%)**	**1.0**	**0.9**	**6.3%**
	TOTAL CARLOADS	**2,305.1**	**2,292.7**	**0.5%**	**251.9**	**243.9**	**3.3%**	**59.7**	**57.6**	**3.6%**
Intermodal	Containers	1,541.0	1,498.6	2.8%	164.7	153.5	7.3%	37.5	34.7	7.9%
(18% of Sales)	Trailers	0.7	1.7	(58.0%)	0.2	0.0	441.5%	0.0	0.0	20.0%
	TOTAL INTERMODAL	**1,541.7**	**1,500.3**	**2.8%**	**164.9**	**153.5**	**7.4%**	**37.5**	**34.7**	**7.9%**
	TOTAL	**3,846.8**	**3,793.0**	**1.4%**	**416.8**	**397.4**	**4.9%**	**97.2**	**92.3**	**5.3%**

Figure 44: CPKC Quarterly Volume Growth Since KCS Acquisition



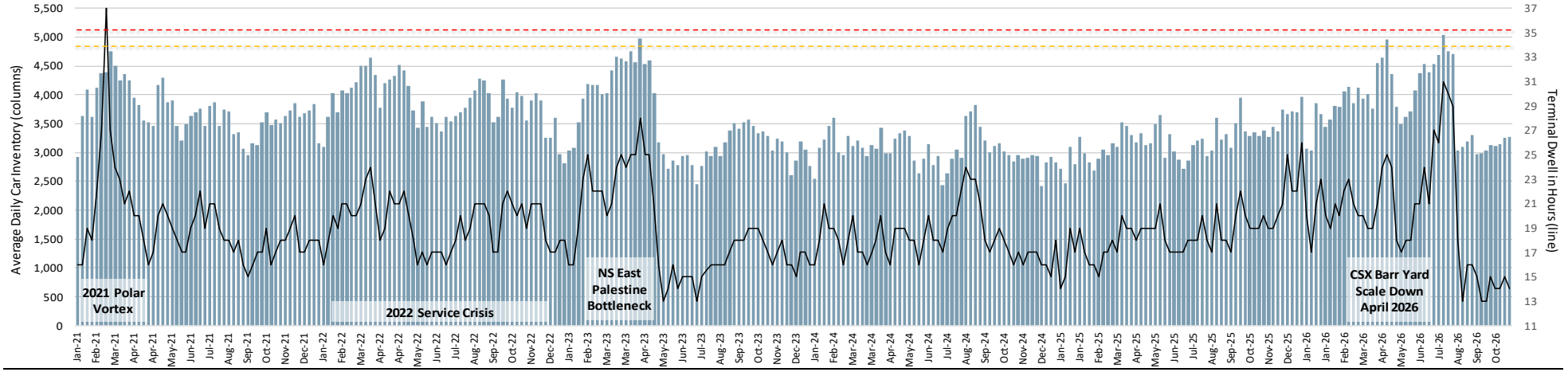
Source (all charts and tables): https://investor.cpkcr.com/key-metrics. CP-KCS combination date 4/15/23. Yes I know it looks better using RTMs but too bad.

Chicago Area Hump Yards

Clearing Yard (Belt Railway of Chicago)

In April 2026, CSX scaled down operations at its Barr Yard in Chicago, cutting inventory from ~1,700 to ~300, with the majority of the switching work moving to Clearing. After becoming overloaded in July, the BRC temporarily cut Clearing Yard inbound train length by 40% (10,000 to 6,000 feet) in early August to decongest and essentially reset the yard. In the most recent week, ending October 30, yard inventory remained stable at 3,270 and dwell of 14 hours improved by one.

Figure 45: Clearing Average Daily Inventory (lower is better) and Terminal Dwell (lower is better). Capacity reaches Yellow Status at 4,800 cars and Red Status at 5,100

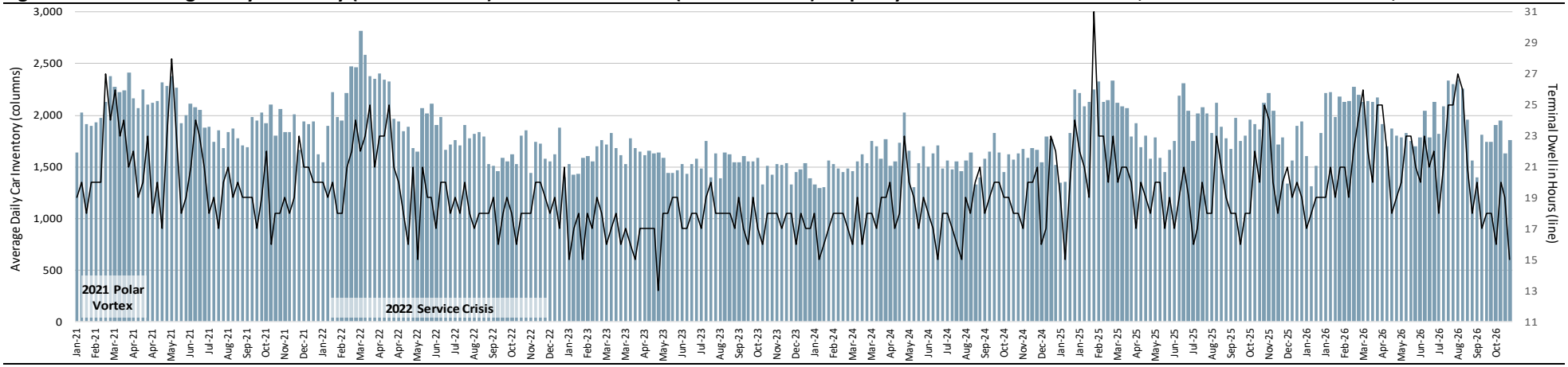


Source: STB. Average Daily Inventory is a daily count of the cars within the yard. The BRC regards dwell at or below 24 hours as fluid for Clearing Yard. Its historical efficient range is 15-20.

Kirk Yard (Canadian National)

Located just over the state border in Gary, Indiana. Car inventory increased from 1,628 to 1,758 in the week ending October 30. Dwell improved by four hours to 15, which is a multi-year low.

Figure 46: Kirk Average Daily Inventory (lower is better) and Terminal Dwell (lower is better). Capacity reaches Yellow Status at 3,500 cars and Red Status at 4,000

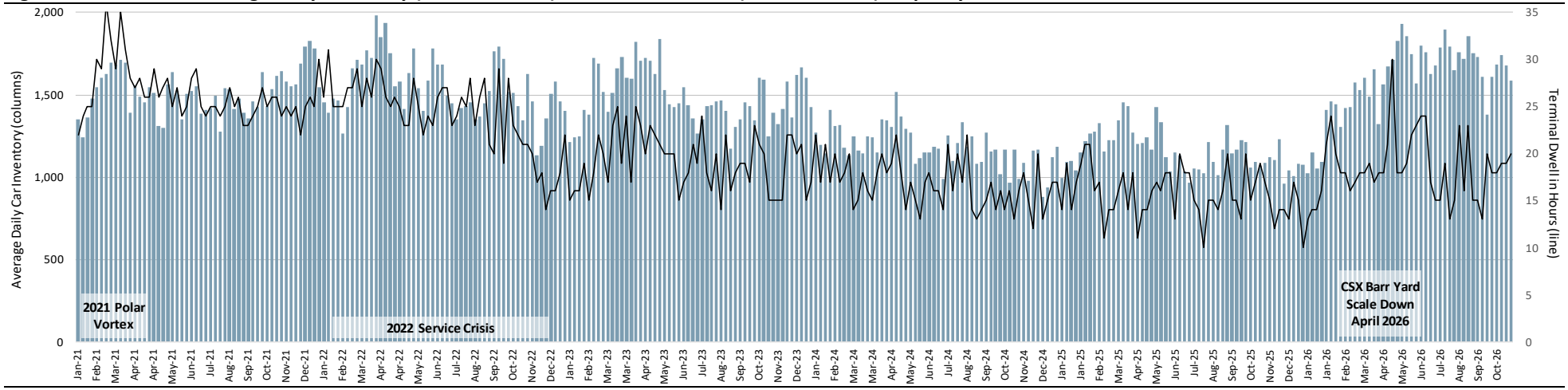


Source: STB. Average Daily Inventory is a daily count of the cars within the yard. Dwell excludes run-through trains, which is a different definition of dwell versus the metrics on CN's website. Run-through trains typically only stop for three or four hours to refuel or change crews; no car switching takes place.

Blue Island Yard (Indiana Harbor Belt)

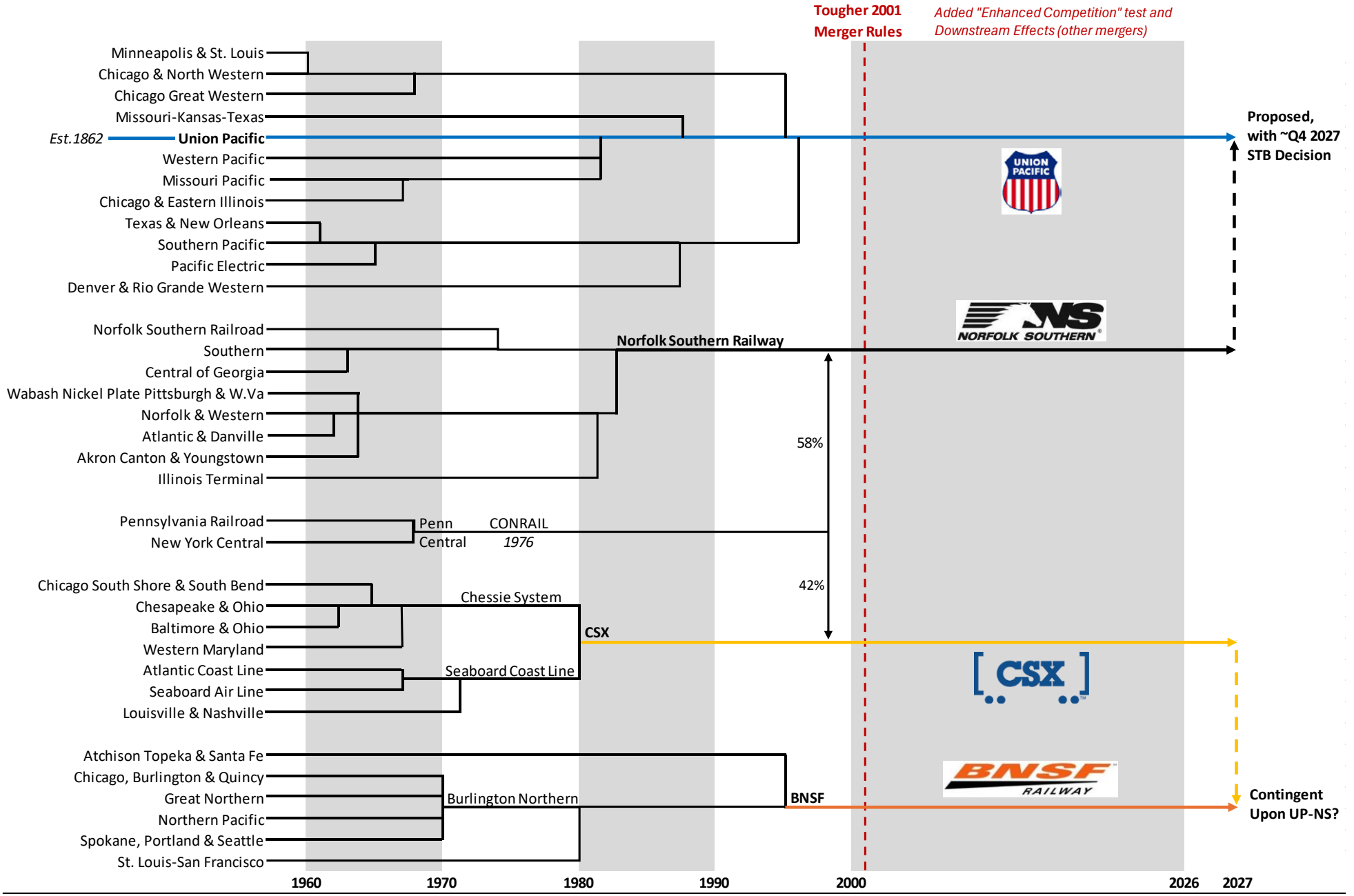
Located south of the city in Riverdale, Illinois. Note the increase in inventory from April 2026 when CSX scaled down activities at Barr Yard, but other IHB strategic initiatives pulled traffic from several Class I's and drove growth on the IHB and through this yard. Yard dwell increased by an hour to 20 in the week ending October 30, while car inventory improved from 1,677 to 1,589.

Figure 47: Blue Island Average Daily Inventory (lower is better) and Terminal Dwell (lower is better). Capacity reaches Yellow Status at 2,400 cars and Red Status at 2,800



Source: STB. Average Daily Inventory is a daily count of the cars within the yard.

How Did We Get Here? Class I Lineage



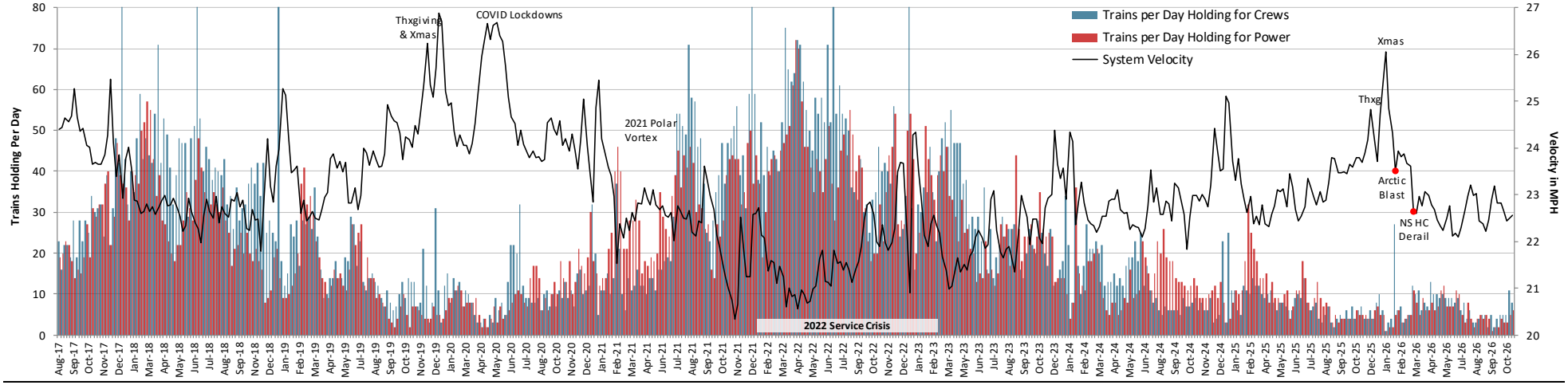
Source: Trains Magazine & Rick Paterson

Consolidated Union Pacific + Norfolk Southern

Network Velocity and Trains Holding for Crews and Power

In case you're curious, here are the key operating metrics for Union Pacific and Norfolk Southern as if they were operating as a consolidated network. The stronger these metrics are, the easier the integration will be, assuming of course the merger is approved by the STB, which is far from certain.

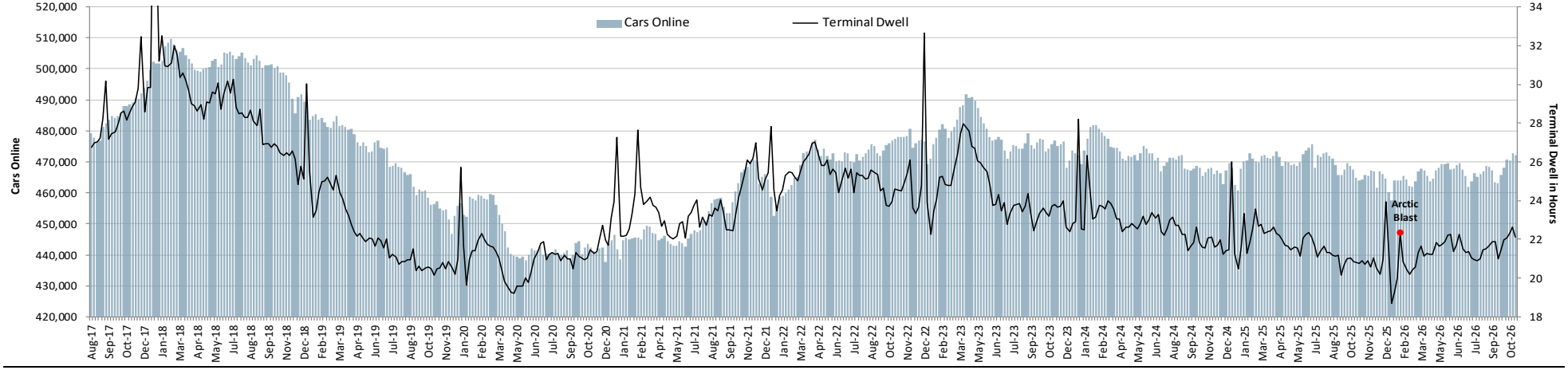
Figure 48: UP+NS Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)



Source: Union Pacific, Norfolk Southern & STB. System velocity is volume-weighted in every week; so if UP is 54% of total loads in a given week it's velocity will also be weighted 54%. Trains holding numbers are simply added together.

Terminal Dwell and Trains Holding for Other Reasons

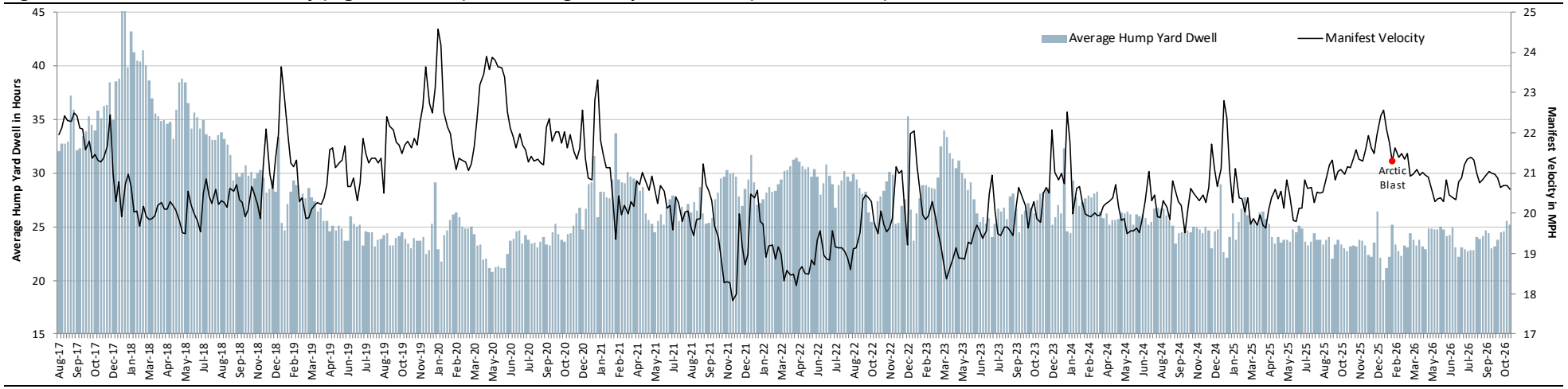
Figure 49: UP+NS Terminal Dwell and Cars Online (lower is better for both)



Source: Union Pacific, Norfolk Southern & STB. Terminal dwell is volume-weighted in every week; so if UP is 54% of total loads in a given week it's dwell will also be weighted 54% and NS 46%. Cars Online are simply added together.

Manifest Network Efficiency

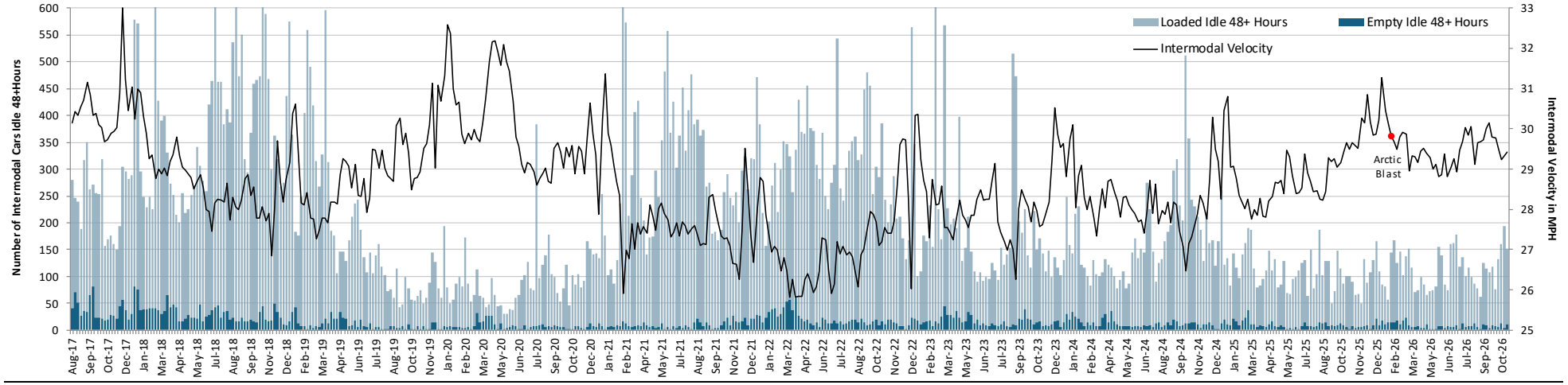
Figure 50: UP+NS Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)



Source: Union Pacific, Norfolk Southern & STB. Both metrics are volume-weighted by non-intermodal carloads. So if UP is 61% of total carloads in a given week it's manifest velocity and hump dwell will be weighted 61% and NS 39%.

Intermodal Network Efficiency

Figure 51: UP+NS Intermodal Velocity (higher is better) and the Number of Slow-to-Move Platforms (lower is better)



Source: Union Pacific, Norfolk Southern & STB. Intermodal velocity is volume-weighted by weekly intermodal loads. So if UP is 47% of total intermodal loads in a given week it's intermodal velocity will be weighted 47% and NS 53%. 48+ hours delays are added together.

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 4

The State of the Rails

This is a weekly report monitoring operational trends of the North American Class I railroads, with a primary focus on network health. This edition incorporates operating data through October 16.

Hurricane Isaias Further Slows Norfolk Southern

In last week's report we talked about Hurricane Isaias making landfall in western Florida on the evening of October 9, before its remnants moved north across Alabama, which is an important region for Norfolk Southern. I said to keep an eye on dwell at the Birmingham hump yard, which actually improved from 31 to 29 hours. That, my friends, was the only good news.

It's difficult to say to what extent this relatively weak hurricane is responsible for the continued slowing of NS's system, so we're left with two bad options. It's either a demonstration of poor resiliency (CSX handled Isaias much better, for example) or the hurricane impact was immaterial and the system just continues to slow on its own, post-Labor Day. Pick your poison.

Regardless of the causality, operating metrics for last week included these gloomy facts:

- **System velocity** fell back below 20 mph, where it was during the 2026 trough in May/June. Within this, average train speed fell by 9% for grain, 7.5% for autos, and 2% for intermodal. Current intermodal velocity is only 1.6% above its two-year low.
- Similarly, **terminal dwell** increased to 25.3 hours; equal with the worst week in May/June. Average hump yard dwell increased by 3% to 31.3 hours, including Bellevue, OH, at 39 and Conway, PA, at 35 (both nowhere near the hurricane). The efficient standard for a hump is 24 hours, and Union Pacific runs theirs at an average of 20, for example.
- **Cars online** added another 1.2% last week to 169,653, which is a high we haven't seen since February 2024. The proportion of this fleet slow-to-move (idle 48+ hours) has rallied from 2.8% to 3.5% over the last two weeks, and you have to go back to the East Palestine bottleneck in 2023 to find a higher number.

This network has been in retreat since Labor Day and the absolute level of some of these metrics is again becoming concerning. The best-case scenario is that this last batch of bad data is all hurricane effect, this is the bottom, and we'll stabilize and rebound from here. Even if this occurs, it doesn't alter the fact that the operational theme for 2026 is how each Class I absorbs unanticipated volume pressure, and NS is failing. Of the Big Four US railroads, it's reacting the worst despite having the least volume pressure, with YTD loads +2.2% vs. CSX +4.5%, UP +3.2%, and BNSF 4.5%.

Zooming out, the picture doesn't get any better. Over the last 10 years the network has only ran reasonably well for 3.5 years: 2019, 2020, the second half of 2024, and 2025. No business can be successful when service sucks 65% of the time.

It's not fun to write this. Norfolk Southern needs to do better and be successful, regardless of whether it ultimately ends up as part of Union Pacific or not.

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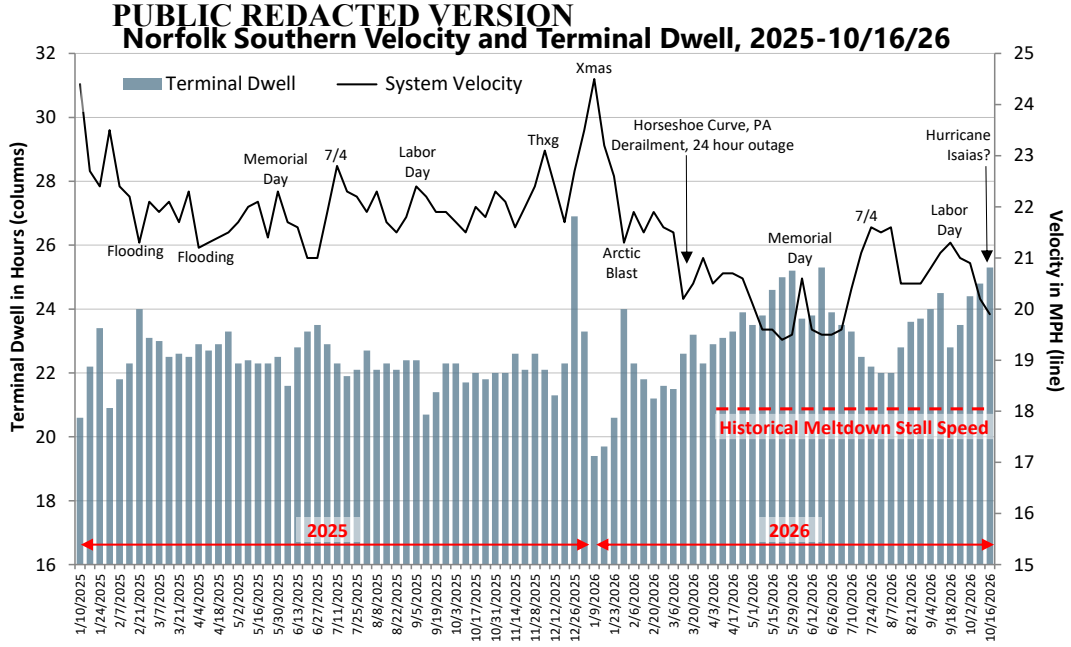
(929) 305-8545
October 23, 2026

While distribution of this report is free, if you've derived some value from it and would like to support its continuation, click HERE.
No part of this report is done by AI.

Next public appearance
RailTrends 2026, NYC, Nov 20.

This is not a financial markets product and nothing in this report shall be construed as investment advice. All underlying data publicly available.



Source: Norfolk Southern & Rick Paterson

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The State of the Rails

Running well (green): Union Pacific, BNSF, CSX, CPKC.

Running normally (yellow): Canadian National, Norfolk Southern.

Running poorly (red):

Service Matrix: **Equally-weighted Velocity + Terminal Dwell versus each Railroad's Post-recession Average**

	2010				2011				2012				2013				2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UP	7%	13%	8%	9%	5%	8%	-1%	2%	6%	11%	7%	6%	2%	3%	7%	-4%	-18%	-17%	-18%	-25%	-17%	-9.5%	-12%	-9%	-5%	-2%	-8%	-9.8%	-19%	-11%	-18%	-29%
BNSF	-5%	8%	1%	-2%	-9%	-5%	-15%	-9%	8%	12%	5%	7%	9%	0%	-3%	-20%	-32%	-29%	-27%	-21%	-7%	-1%	-2%	7%	14%	19%	5%	3%	-12%	-4%	2%	6%
CSX	-22%	-13%	-17%	-19%	-28%	-26%	-12%	-17%	-8%	-4%	-4%	-5%	4%	4%	6%	-1%	-28%	-30%	-28%	-27%	-34%	-22%	-22%	-18%	-23%	-18%	-22%	-28%	-26%	-13%	PSR -35%	-16%
NS	-4%	-2%	1%	-5%	-14%	-3%	0%	-4%	17%	19%	22%	23%	19%	21%	21%	18%	-2%	2%	-12%	-34%	-27%	-8%	-3%	5%	6%	11%	8%	4%	3%	-6%	-4%	-15%
CN	5%	13%	14%	8%	-2%	11%	11%	11%	9%	15%	17%	9%	-8%	16%	22%	4%	-27%	9%	6%	0%	-5%	14%	19%	21%	21%	26%	25%	16%	8%	13%	-2%	-23%

Impact of 2014 Polar Vortex

CN Meltdown Hurricane Harvey

	2018				2019				2020				2021				2022				2023				2024				2025				2026			L10W
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
UP	-27%	-13%	-15%	PSR -4%	-7%	-5%	6%	11%	6%	20%	9.6%	14%	6%	8%	1%	-1%	1%	-4%	-3%	-3%	1%	3%	0%	8%	2%	2%	3%	8%	6%	10%	14%	22%	22%	19%	16%	16%
BNSF	1%	-4%	-8%	-8%	-16%	-15%	-8%	-1%	7%	19%	11%	13%	2%	2%	2%	-2%	-12%	-9.6%	-1%	1%	-6%	-1%	5%	6%	-7%	-1%	9%	15%	13%	19%	18%	19%	16%	10%	9%	11%
CSX	-9%	2%	14%	19%	28%	26%	26%	39%	40%	37%	20%	15%	11%	11%	8%	3%	-5%	-13%	-4%	17%	33%	30%	25%	24%	21%	18%	18%	9%	3%	10%	24%	23%	12%	6%	8%	13%
NS	-34%	-36%	-23%	PSR -20%	6%	25%	28%	30%	32%	37%	24%	7%	-7%	-2%	3%	-27%	-27%	-31%	-19%	-12%	-16%	-32%	-3%	-9.6%	-2%	3%	9%	9%	9%	4%	9%	8%	9%	-9%	1%	-5%
CN	-47%	-17%	-14%	-7%	-30%	0%	-9%	-12%	-20%	-14%	-37%	-14%	-21%	-5%	-4%	-9%	-38%	1%	7%	1%	6%	9%	4%	6%	-1%	0%	1%	2%	-16%	4%	4%	3%	-6%	2%	-3%	4%
CPKC	< Pre-CP & KCS Consolidated Data >								20%	18%	11%	4%	-12%	-2%	13%	14%	-9%	-7%	-9%	-17%	-22%	-13%	-21%	0%	1%	5%	-5%	-5%	-5%	-2%	-2%	9.7%	7%	20%	10%	11%

CN & NS Meltdowns

UP & NS Adopt PSR

Midwest Flooding

Record industry service, aided by COVID lockdowns

COVID 2021 Polar Vortex

Omicron Spike

2022 Service Crisis

NS East Palestine KCSM Meltdown

CN Mini-crash

UPDATED

Railroad is turning assets *within* 10% of its post-recession average
Railroad is turning assets >10% *faster* than its post-recession average
Railroad is turning assets >10% *slower* than its post-recession average

Source: Surface Transportation Board & Rick Paterson.

How does the chart work?

e.g., Velocity 10% better than its post-recession average + dwell 10% better than its post-recession average = 20%.
Velocity 10% worse + Dwell 10% worse = -20%.
Velocity 10% better + Dwell 10% worse = 0%.

Post-recession defined as Q1 2010 through the present.

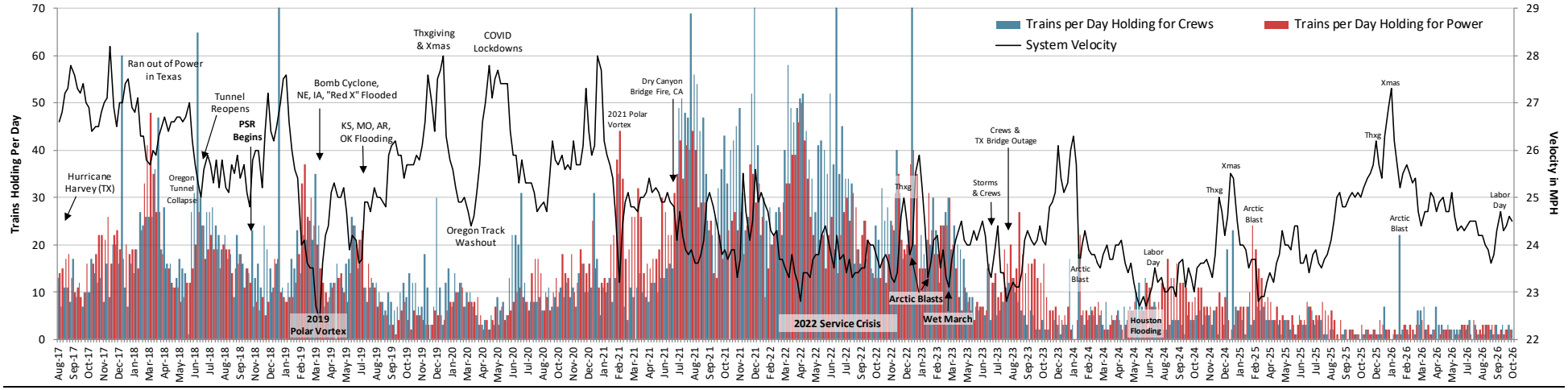
L10W = Last 10 Weeks (trailing average).

Union Pacific

Network Velocity and Trains Holding for Crews and Power

Velocity steady at 24.5 mph in the week ending October 16. Trains holding for crews improved by one to just two per day, while trains holding for power was reported to be zero.

Figure 1: Union Pacific Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

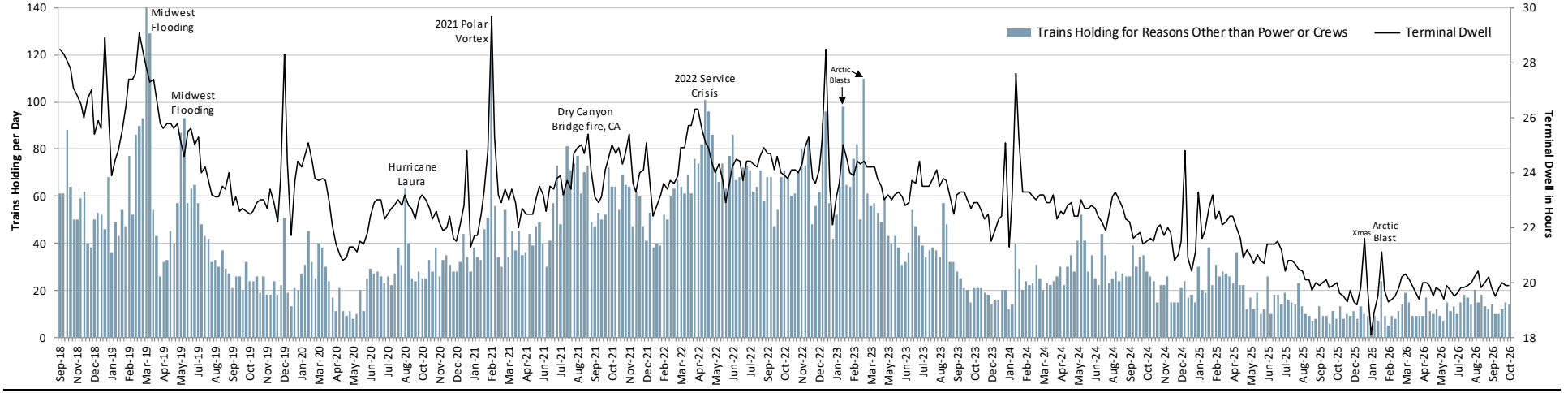


Source: Union Pacific & STB. UP trains holding is based on a daily snapshot that counts the number of trains delayed by four hours or more at a certain time every day.

Terminal Dwell and Trains Holding for Other Reasons

Terminal also sequentially flat last week. Trains holding for all reasons other than power and crews downticked by one to 14 per day.

Figure 2: Union Pacific Terminal Dwell and Trains per Day Holding for Reasons Other than Power and Crews (lower is better for both)

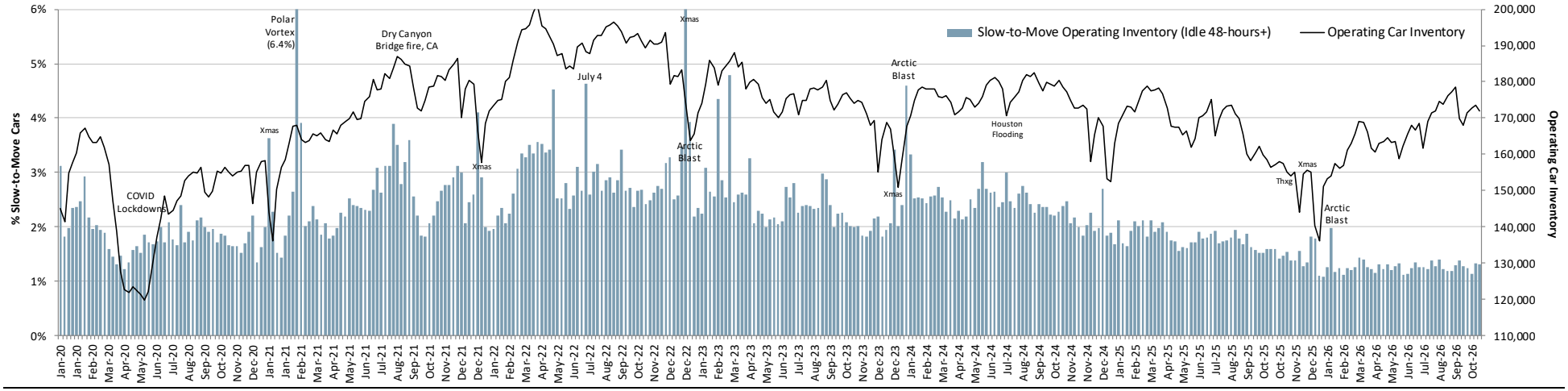


Source: Union Pacific & STB. UP trains holding is based on a daily snapshot that counts the number of trains delayed by four hours or more at the same time every day.

Operating Car Inventory and the Proportion Slow-to-Move

Operating inventory edged down 0.9% and continues to approximate its long-term average. The proportion of these cars idle for 48+ hours was unchanged at 1.3% last week.

Figure 3: Operating Car Inventory and the Proportion Idle for 48+ hours (lower is better for both)

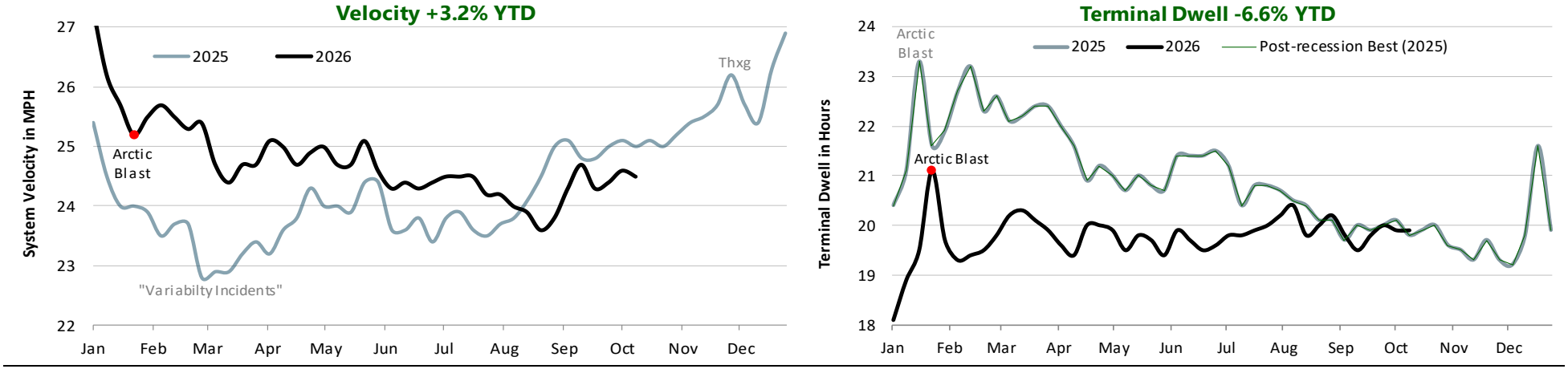


Source: Union Pacific & STB. UP Operating Car Inventory defined as "cars in normal movement, hold, or released at customer status. Excludes cars at industry for loading or unloading, offline or stored. Articulated well and spine cars counted individually. Excludes non-revenue cars."

Year-over-Year Network Velocity and Terminal Dwell

Current velocity still 0.5 mph below year-ago levels but +3.2% year-to-date. Terminal dwell looks good and continues to track strong year-ago levels.

Figure 4: Union Pacific System Velocity and Terminal Dwell

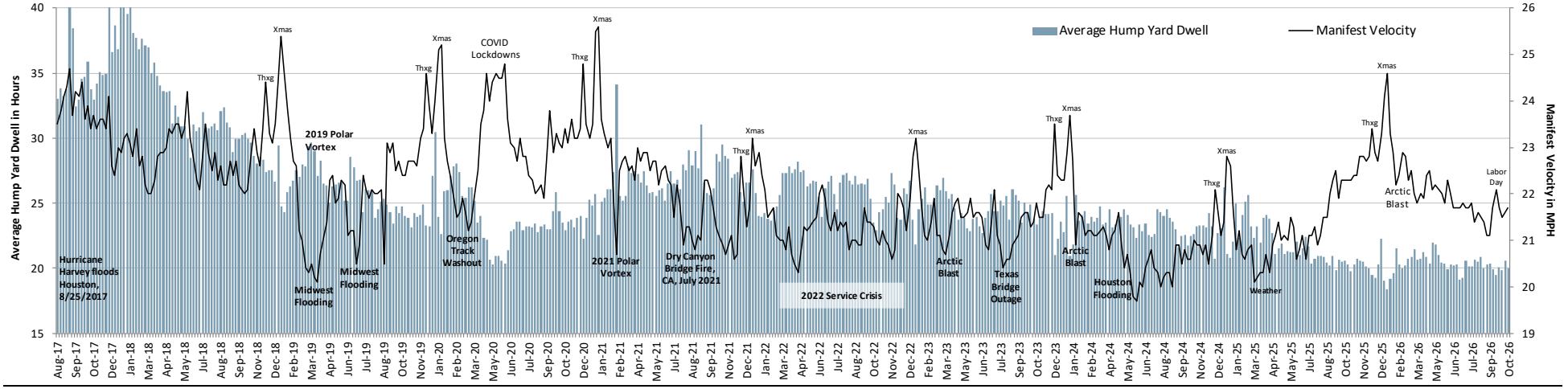


Source: Union Pacific & STB. Velocity post-recession best not shown, but it was a weekly average of 28.4 mph in 2012.

Manifest Network Efficiency

Manifest velocity upticked 0.5% in the week ending October 16. Average dwell for the seven hump yards that support this network was steady at 20 hours, which is very good in absolute terms.

Figure 5: Union Pacific Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

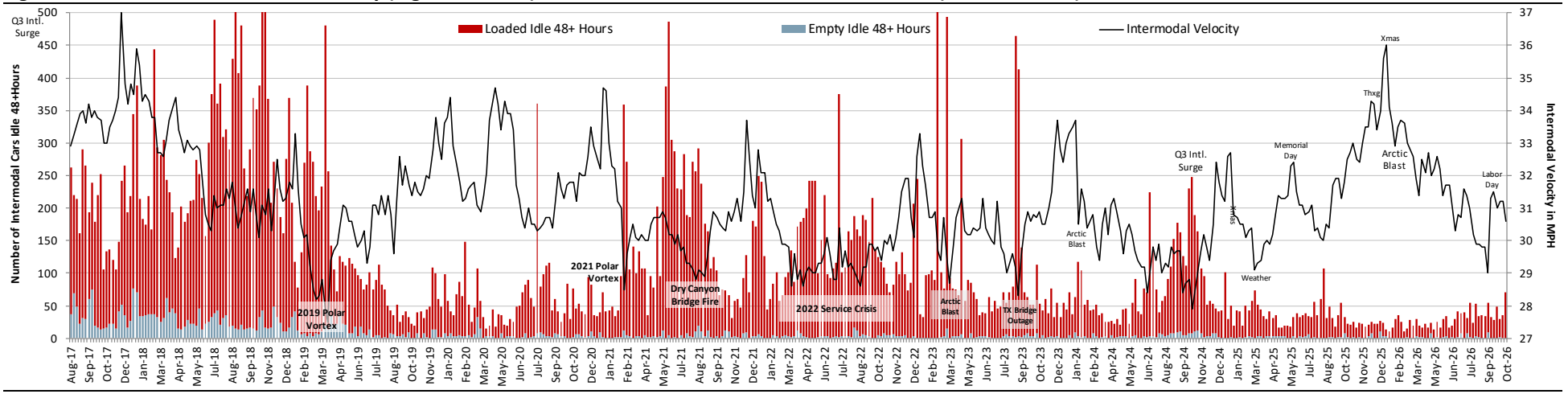


Source: Union Pacific & STB. Hump Yard Dwell is average dwell for Union Pacific's seven active hump yards. Note that North Platte in Nebraska, the biggest, is a dual hump and only dwell for the westbound hump is reported publicly; eastbound is not.

Intermodal Network Efficiency

Intermodal velocity dipped 1.9% last week in the face of strong volume pressure, with loads exceeding 85,000 for the fourth week in a row; something that's never happened before. Last week's load count of 86,124 is only 2.4% below the all-time record of 88,265 set in early December 2018. Slow-to-move platforms increased from 35 to 71.

Figure 6: Union Pacific Intermodal Velocity (higher is better) and the Number of Slow-to-Move Platforms (lower is better)

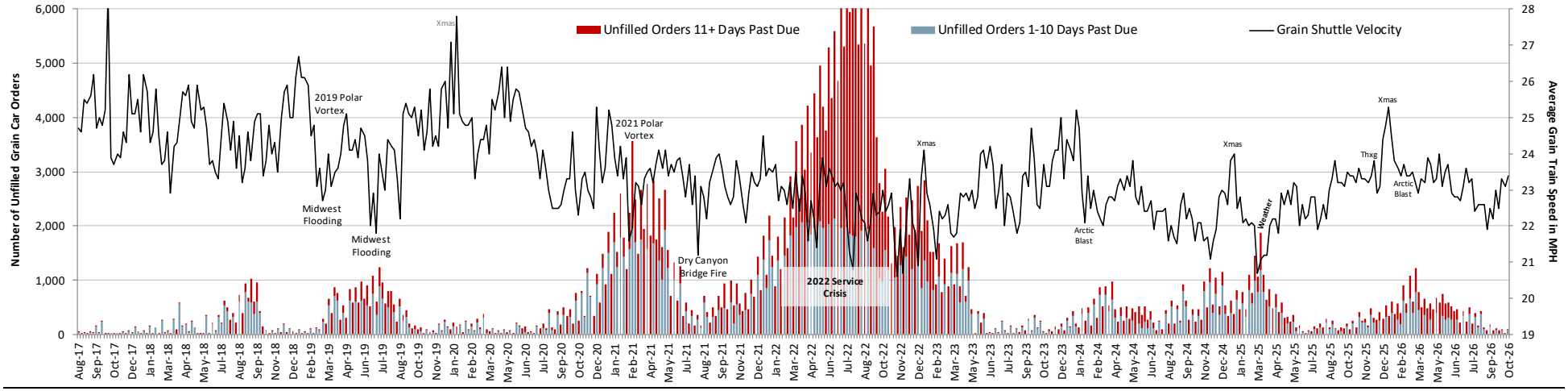


Source: Union Pacific & STB.

Grain Train Efficiency

Grain velocity improved 1.3% in the week ending October 9, which continues a positive seven-week trend. Unfilled grain car orders came in at 93.

Figure 7: Union Pacific Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

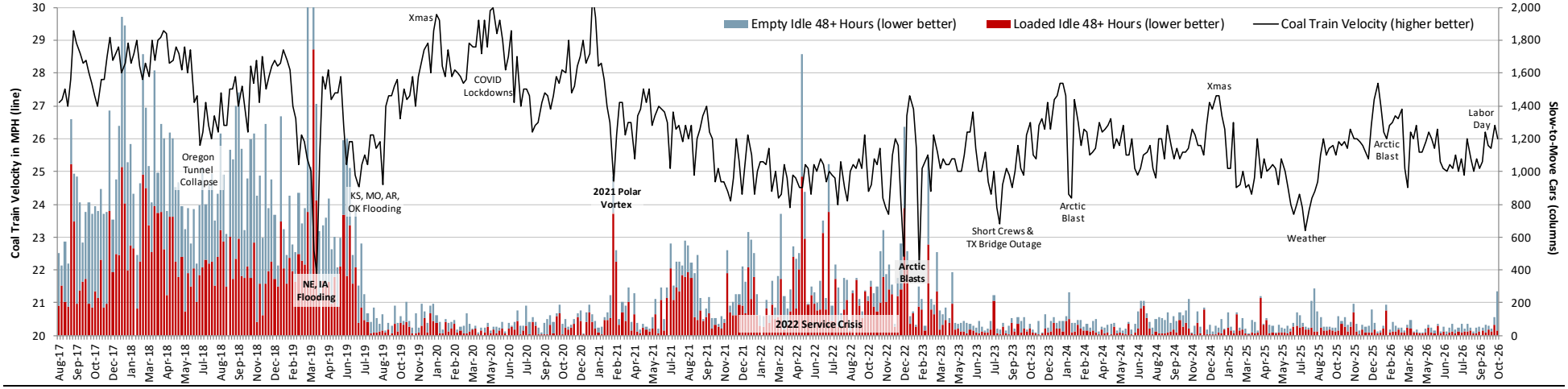


Source: Union Pacific & STB.

Coal Train Efficiency

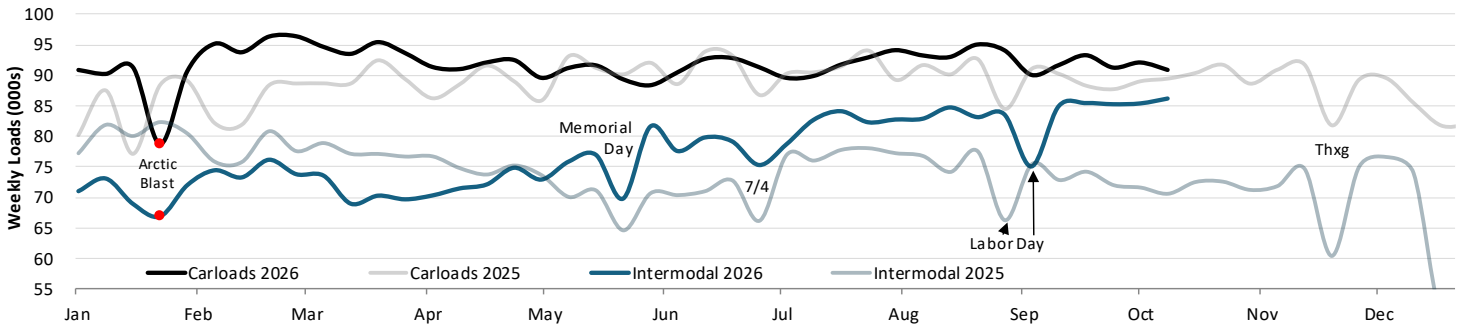
Coal velocity slowed by 1.5%, while slow-to-move coal cars (idle 48+ hours) jumped for a second week, from 113 to 271.

Figure 8: Union Pacific Average Coal Train Speed (higher is better) and Slow-to-Move Cars (lower is better)



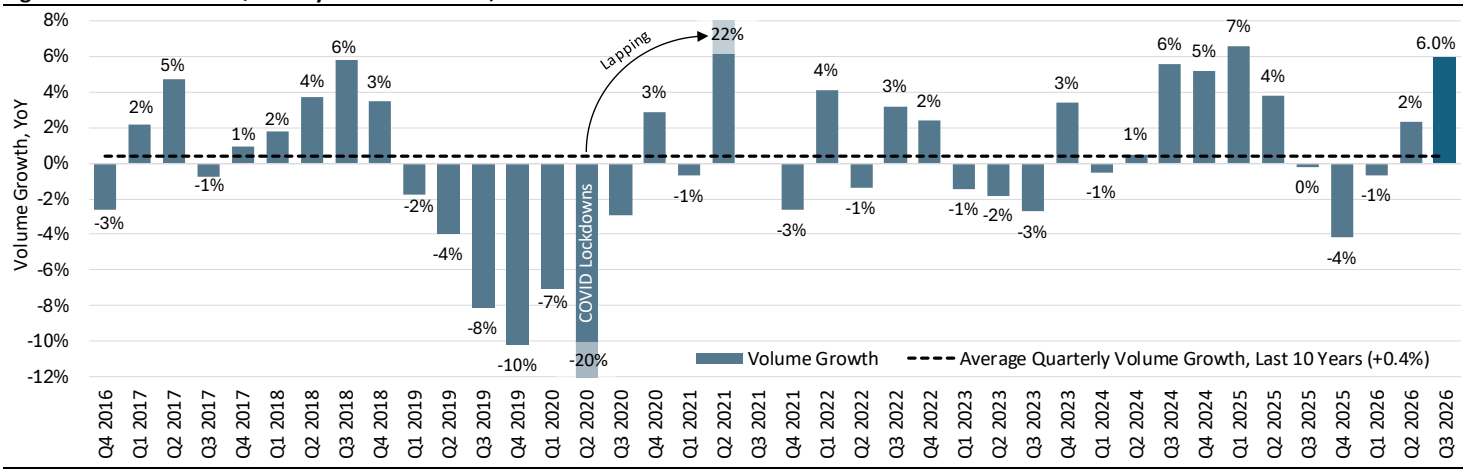
Source: Union Pacific & STB.

Union Pacific Volumes Through Week Ending 10/17/26



Union Pacific Reporting Segment	Commodity	Year-to-Date 2026	Year-to-Date 2025	Year-to-Date Δ	Q3 2026 2026	Q3 2026 2025	Q3 2026 Δ	Week Ending 10/17/26 2026	Week Ending 10/17/26 2025	Week Ending 10/17/26 Δ
Grain & Grain Mill	Grain	333.9	290.0	15.1%	94.2	88.6	6.3%	8.1	7.5	8.8%
(16% of Sales)	Grain Mill Products	171.0	167.7	1.9%	51.7	53.3	(3.1%)	4.4	4.0	10.0%
	Total Grain & Grain Mill	**504.9**	**457.7**	**10.3%**	**145.8**	**142.0**	**2.7%**	**12.5**	**11.5**	**9.2%**
Fertilizer (3% of sales)	**Nonmetallic Minerals**	**43.8**	**43.1**	**1.4%**	**17.6**	**16.9**	**4.4%**	**1.0**	**1.4**	**(27.9%)**
Food & Refrigerated	Food & Kindred Products	189.4	187.7	0.9%	60.7	58.5	3.7%	4.7	4.7	(1.4%)
(4% of Sales)	Farm Products, Ex Grain	11.5	11.5	0.4%	3.3	3.3	1.4%	0.3	0.3	13.9%
	Total Food & Refrigerated	**200.9**	**199.1**	**0.9%**	**64.0**	**61.8**	**3.6%**	**5.0**	**5.0**	**(0.4%)**
Coal & Renewables	Coal	576.4	585.3	(1.5%)	191.2	198.5	(3.7%)	13.0	11.9	9.3%
(7% of Sales)	Coke	37.5	29.9	25.5%	11.1	10.0	11.4%	0.7	0.6	17.7%
	Primary Forest Products	16.8	18.5	(9.1%)	5.8	5.6	2.3%	0.3	0.6	(50.8%)
	Total Coal & Renewables	**630.7**	**633.7**	**(0.5%)**	**208.0**	**214.1**	**(2.8%)**	**14.0**	**13.1**	**7.0%**
Industrial Chems & Plastics	Chemicals	898.8	867.1	3.7%	284.9	281.0	1.4%	20.9	20.7	0.8%
(10% of Sales)	All Other Carloads	142.0	146.6	(3.2%)	41.5	44.0	(5.6%)	3.1	3.9	(21.0%)
	Total Chemicals & Plastics	**1,040.8**	**1,013.7**	**2.7%**	**326.4**	**325.0**	**0.5%**	**24.0**	**24.6**	**(2.6%)**
Metals & Minerals	Crushed Stone, Sand & Gravel	324.1	310.3	4.4%	108.5	101.4	7.0%	9.0	9.2	(2.8%)
(9% of Sales)	Stone, Clay & Glass	140.5	125.6	11.8%	47.8	42.1	13.5%	3.4	3.3	2.6%
	Metals & Products	118.4	111.6	6.0%	39.5	35.0	12.8%	3.0	2.5	21.1%
	Iron & Steel Scrap	46.0	40.5	13.7%	15.2	12.7	20.4%	1.2	0.9	26.0%
	Metallic Ores	12.5	17.3	(28.2%)	3.4	4.3	(21.4%)	0.2	0.3	(41.7%)
	Total Metals & Minerals	**641.4**	**605.4**	**5.9%**	**214.4**	**195.5**	**9.7%**	**16.7**	**16.2**	**2.8%**
Forest Products	Lumber & Wood Products	80.9	80.4	0.7%	26.5	24.3	9.0%	1.9	1.8	4.5%
(5% of Sales)	Pulp & Paper Products	72.1	71.7	0.5%	23.0	23.5	(2.0%)	1.6	1.6	1.1%
	Total Forest Products	**153.0**	**152.1**	**0.6%**	**49.5**	**47.8**	**3.6%**	**3.5**	**3.4**	**2.9%**
Energy & Specialized	Petroleum Products	222.6	208.2	6.9%	72.1	65.9	9.4%	5.8	4.9	18.1%
(11% of Sales)	Waste & Other Scrap	31.7	29.9	6.1%	10.3	10.3	0.5%	0.8	1.0	(13.2%)
	Total Energy & Specialized	**254.4**	**238.1**	**6.8%**	**82.4**	**76.2**	**8.2%**	**6.7**	**5.9**	**13.0%**
Automotive (10% of Sales)	**Total Automotive**	**333.0**	**332.7**	**0.1%**	**104.5**	**104.3**	**0.2%**	**7.7**	**8.5**	**(9.7%)**
	TOTAL CARLOADS	**3,802.8**	**3,675.7**	**3.5%**	**1,212.8**	**1,183.5**	**2.5%**	**90.9**	**89.4**	**1.6%**
Intermodal	Containers	3,114.7	3,032.2	2.7%	1,060.9	961.2	10.4%	84.4	69.2	22.0%
(19% of Sales)	Trailers	63.7	59.1	7.8%	20.7	18.9	9.1%	1.7	1.3	29.2%
	TOTAL INTERMODAL	**3,178.4**	**3,091.3**	**2.8%**	**1,081.6**	**980.2**	**10.3%**	**86.1**	**70.5**	**22.2%**
	TOTAL	**6,981.2**	**6,767.0**	**3.2%**	**2,294.4**	**2,163.7**	**6.0%**	**177.0**	**159.9**	**10.7%**

Figure 9: Union Pacific Quarterly Volume Growth, Last Ten Years



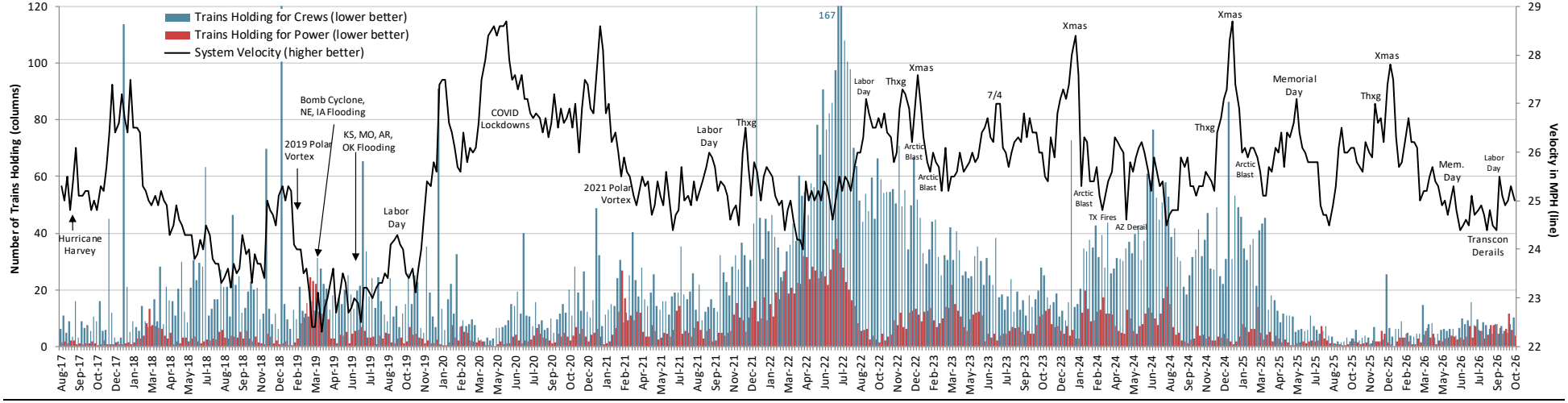
Source (all charts and tables): STB & www.investor.unionpacific.com/carloads-2026.

BNSF

Network Velocity and Trains Holding for Crews and Power

Velocity softened 1.2% in the week ending October 16 as intermodal loads hit an all-time record (volume pressure on speed). Trains holding for crews deteriorated from eight to 10 per day, while trains holding for power improved from six to four per day.

Figure 10: BNSF Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

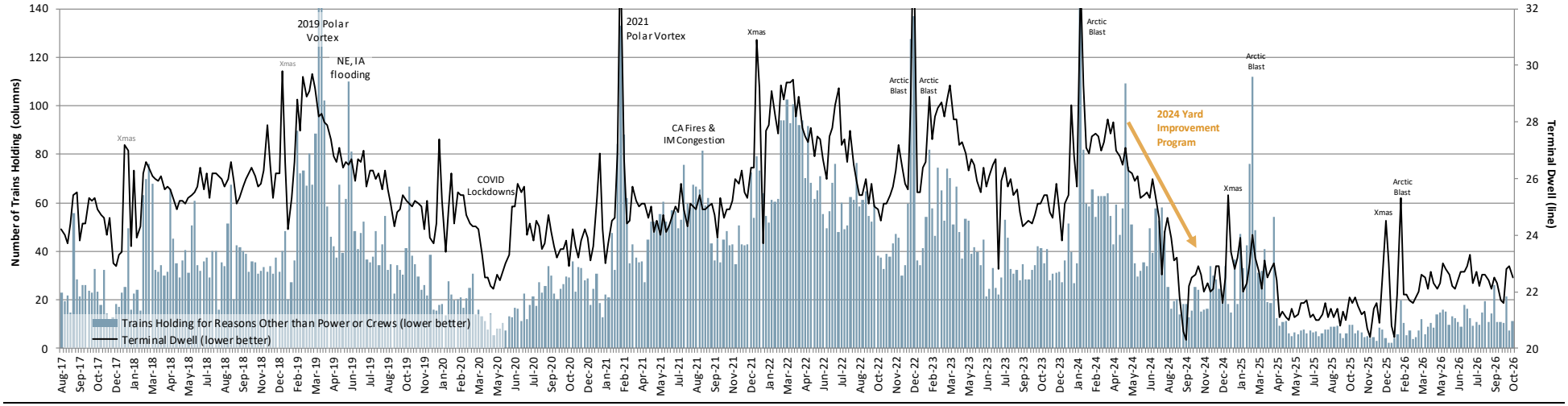


Source: BNSF & STB. BNSF trains holding is based on a daily snapshot that counts the number of trains delayed by zero hours or more at a certain time every day.

Terminal Dwell and Trains Holding for Other Reasons

Terminal dwell improved 1.7% last week, while trains holding for all reasons other than power and crews increased by three to 11 per day. Still low by historical standards.

Figure 11: BNSF Terminal Dwell (lower is better) and Trains Holding for All Reasons Other than Power and Crews (lower is better)

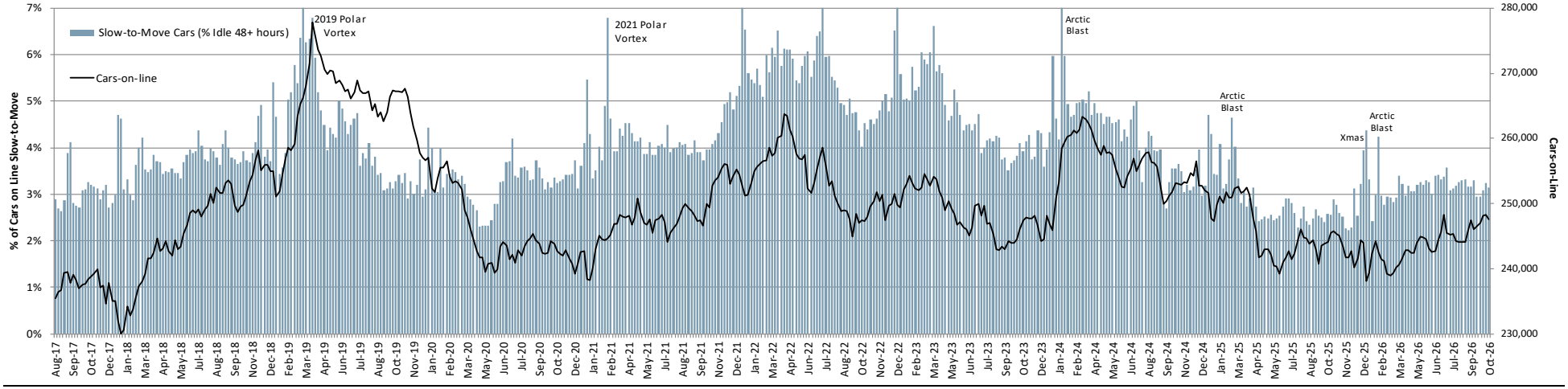


Source: BNSF & STB. BNSF trains holding is based on a daily snapshot that counts the number of trains delayed by zero hours or more at a certain time every day.

Cars Online and the Proportion Slow-to-Move

Cars online downticked immaterially in the week ending October 16, while the proportion of these cars idle for 48+ hours (slow-to-move) also improved modestly, from 3.2% to 3.1%.

Figure 12: BNSF Cars Online and the Proportion Slow-to-Move (lower is better for both)

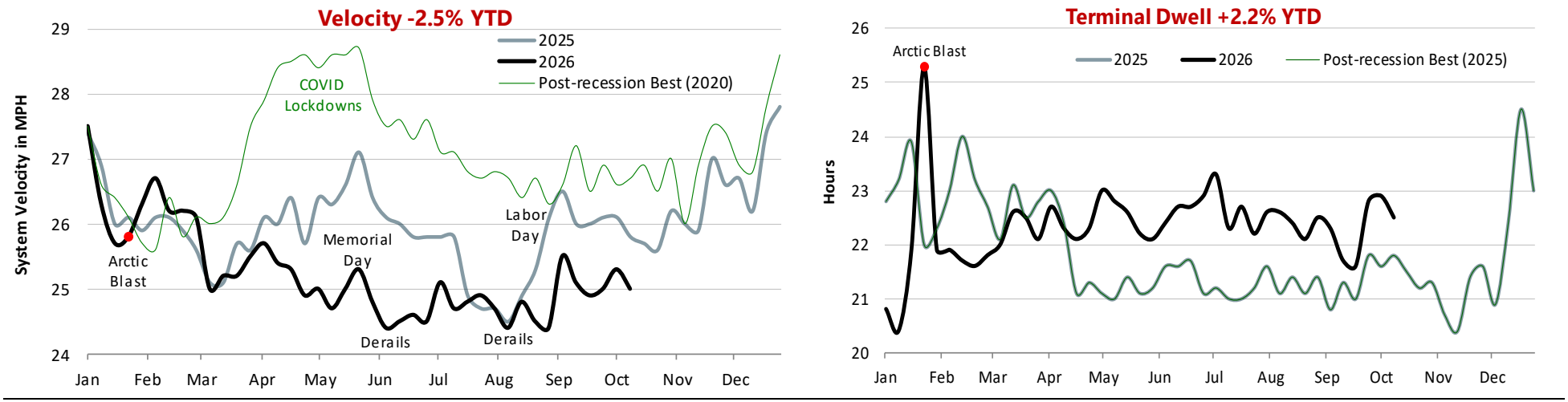


Source: BNSF & STB.

Year-over-Year Network Velocity and Terminal Dwell

In the velocity chart you can see that YoY comps get tougher through year end, but volume pressure comes off the network once we hit Thanksgiving, which will allow speeds to accelerate this year just like they did in 2025. Terminal dwell continues to run about an hour worse than year-ago levels.

Figure 13: BNSF High Level Velocity and Terminal Dwell

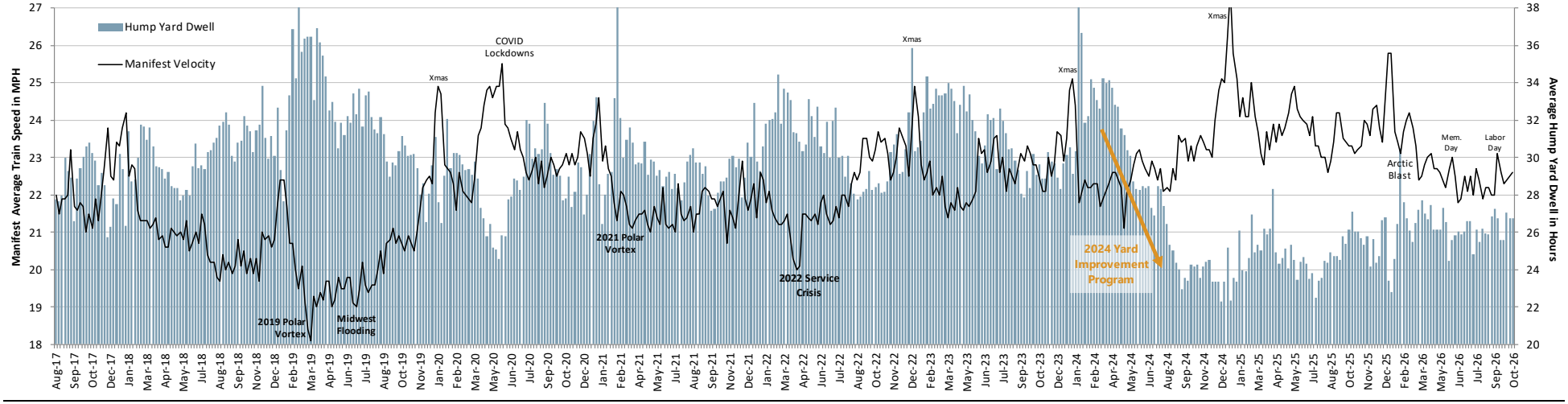


Source: BNSF & STB.

Manifest Network Efficiency

Manifest velocity upticked by 0.1 mph for the third consecutive week through October 16. Average dwell for the eight hump yards that support this network was sequentially flat at 26.7 hours. Barstow in California remains stubbornly problematic at 33 hours (>30 is bad for a hump yard).

Figure 14: BNSF Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

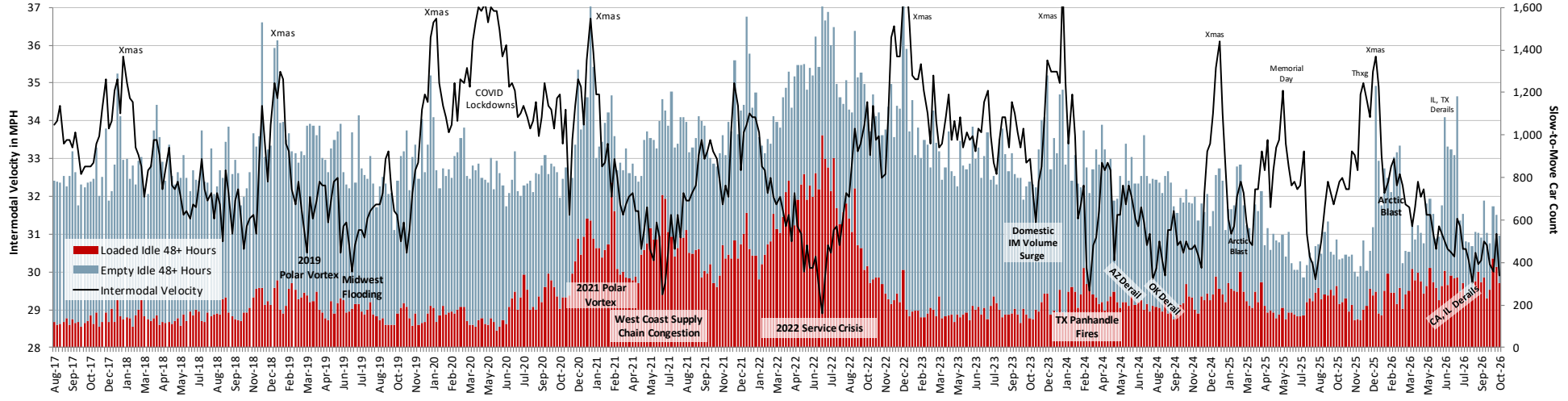


Source: BNSF & STB. Hump Yard Dwell represents the average time in hours for BNSF's eight active hump yards.

Intermodal Network Efficiency

Intermodal loads surged from 119,855 to 123,857 last week (the Gabriel effect), finally trumping the previous weekly record of 120,206 back in December 2020. Intermodal velocity reacted as you'd expect, decelerating 3.5%. Slow-to-move intermodal platforms improved, however, from 623 to 527.

Figure 15: BNSF Intermodal Average Train Speed (higher is better) and Slow-to-Move Platforms (lower is better)

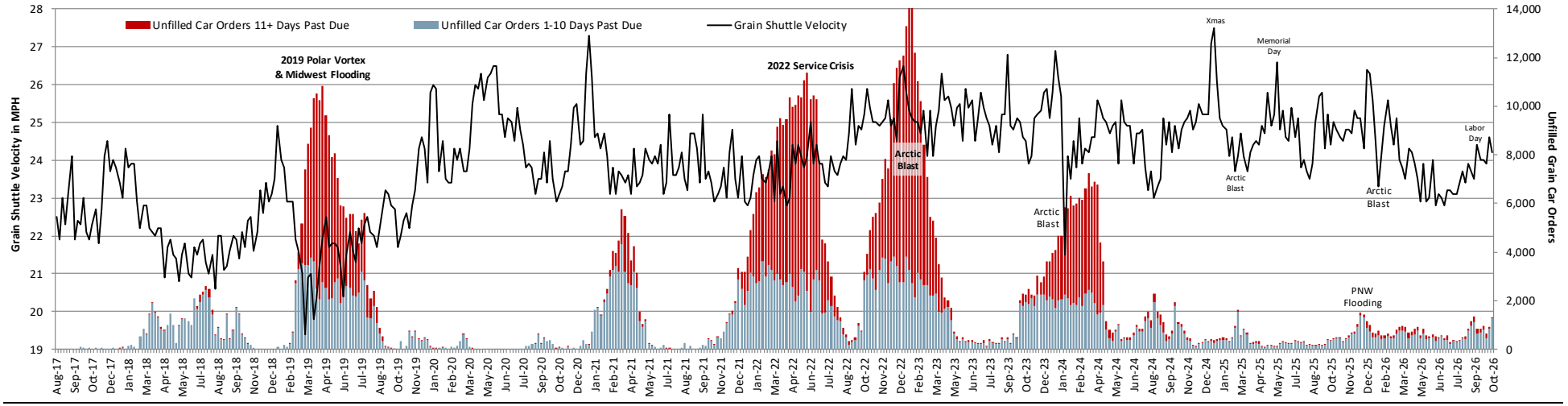


Source: BNSF & STB.

Grain Train Efficiency

Average grain train speed softened 1.6% in the week ending October 16. Unfilled grain car orders increased from 910 to 1,321.

Figure 16: BNSF Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

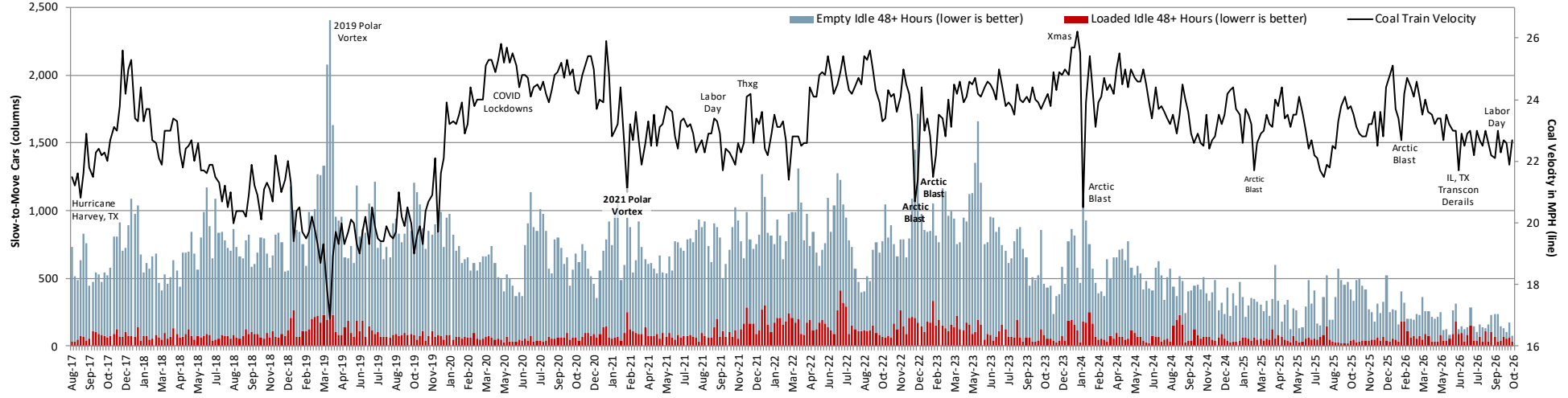


Source: BNSF & STB.

Coal Train Efficiency

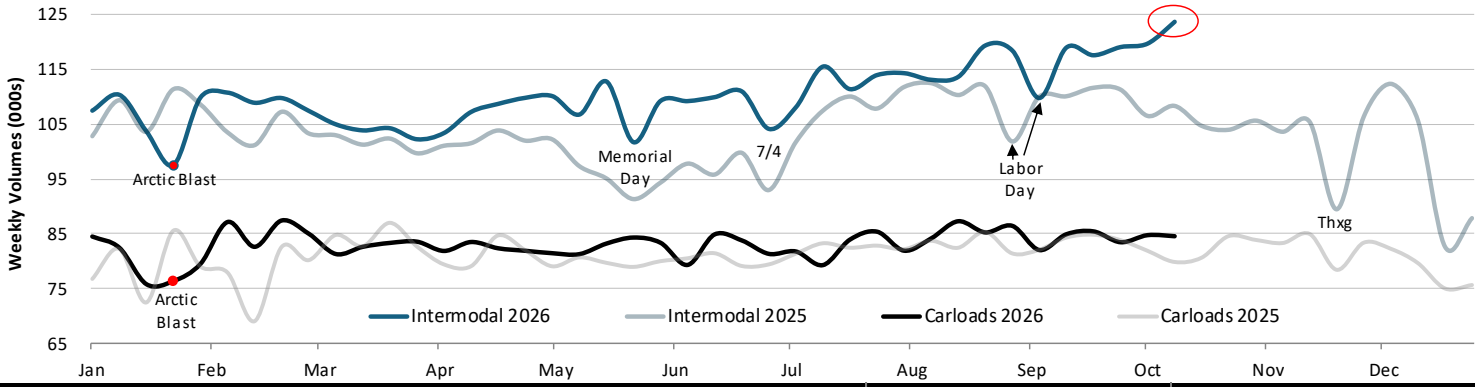
Coal velocity did its own thing, as usual, accelerating 3.7% in the week ending October 16. Slow-to-move coal cars dropped from 172 to 78.

Figure 17: BNSF Average Coal Train Speed (higher is better) and Slow-to-Move Cars (lower is better)



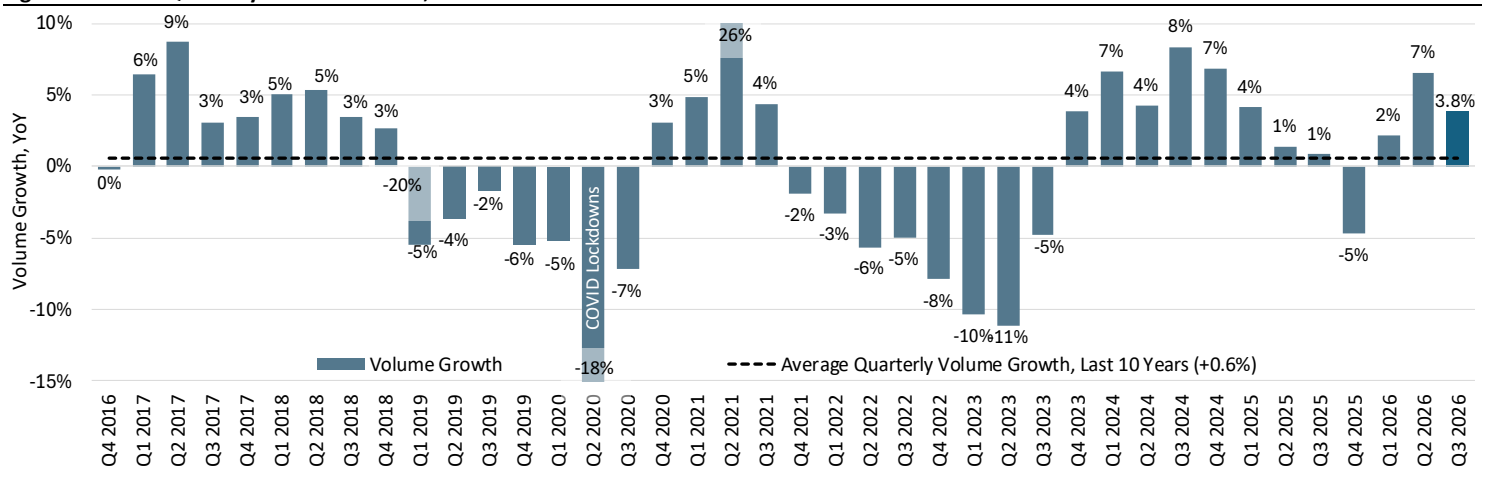
Source: BNSF & STB.

BNSF Volumes Through Week Ending 10/17/26



BNSF		Year-to-Date			Q3 2026			Week Ending 10/17/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Autos (4% of sales)	**Motor Vehicles & Equipment**	**240.7**	**239.7**	**0.4%**	**75.5**	**75.8**	**(0.3%)**	**5.7**	**5.7**	**1.1%**
Industrial Products	Petroleum Products	279.1	252.7	10.5%	92.0	83.8	9.8%	7.7	6.7	14.7%
(21% of Sales)	Chemicals	359.1	370.0	(2.9%)	110.2	111.7	(1.4%)	8.5	8.1	4.7%
	Crushed Stone, Sand & Gravel	173.0	158.8	8.9%	59.8	55.0	8.8%	4.3	4.1	5.1%
	Metallic Ores	78.6	71.8	9.6%	27.7	24.9	11.2%	2.6	2.0	28.9%
	Stone, Clay & Glass	105.5	101.6	3.9%	37.4	35.7	4.9%	2.8	2.7	3.4%
	Metals & Products	84.1	77.1	9.1%	29.0	24.4	18.8%	1.9	1.5	20.8%
	All Other Carloads	95.4	102.0	(6.5%)	30.1	31.9	(5.6%)	1.9	1.5	24.0%
	Lumber & Wood Products	60.8	57.9	5.0%	19.1	17.3	10.8%	1.4	1.3	7.4%
	Pulp & Paper Products	45.4	46.7	(2.8%)	14.9	14.7	1.0%	1.1	0.9	19.4%
	Iron & Steel Scrap	52.0	43.4	19.8%	16.4	13.8	18.7%	1.3	1.1	18.8%
	Coke	20.6	19.6	5.0%	6.9	6.4	7.9%	0.4	0.6	(26.6%)
	Nonmetallic Minerals	19.3	18.5	4.6%	6.4	5.6	14.2%	0.4	0.4	2.4%
	Waste & Other Scrap	21.9	21.7	1.2%	7.3	7.4	(0.9%)	0.6	0.5	15.3%
	Primary Forest Products	1.6	2.0	(19.6%)	0.6	0.6	(1.3%)	0.0	0.0	9.7%
	Total Industrial	**1,396.6**	**1,343.9**	**3.9%**	**457.8**	**433.1**	**5.7%**	**34.8**	**31.5**	**10.7%**
Coal (13% of Sales)	**Coal**	**908.3**	**966.5**	**(6.0%)**	**294.6**	**323.2**	**(8.9%)**	**23.4**	**22.9**	**2.5%**
Agricultural	Grain	533.2	469.9	13.5%	161.8	152.6	6.0%	11.6	11.2	3.9%
(28% of Sales)	Grain Mill Products	194.8	181.1	7.6%	62.0	54.0	14.8%	5.1	4.5	13.0%
	Food & Kindred Products	141.7	136.0	4.2%	42.9	42.7	0.5%	3.3	3.4	(4.6%)
	Farm Products, Ex Grain	22.7	20.1	13.1%	7.8	6.0	31.1%	0.6	0.6	2.1%
	Total Agricultural	**892.4**	**807.0**	**10.6%**	**274.5**	**255.3**	**7.5%**	**20.6**	**19.7**	**4.5%**
	TOTAL CARLOADS	**3,438.0**	**3,357.2**	**2.4%**	**1,102.4**	**1,087.4**	**1.4%**	**84.6**	**79.7**	**6.1%**
Intermodal	Containers	4,403.4	4,155.6	6.0%	1,450.6	1,376.3	5.4%	119.4	105.0	13.7%
(31% of Sales)	Trailers	159.4	145.8	9.4%	52.5	45.9	14.5%	4.5	3.4	30.4%
	TOTAL INTERMODAL	**4,562.8**	**4,301.4**	**6.1%**	**1,503.1**	**1,422.2**	**5.7%**	**123.9**	**108.4**	**14.2%**
	TOTAL	**8,000.9**	**7,658.6**	**4.5%**	**2,605.5**	**2,509.6**	**3.8%**	**208.4**	**188.1**	**10.8%**

Figure 18: BNSF Quarterly Volume Growth, Last Ten Years



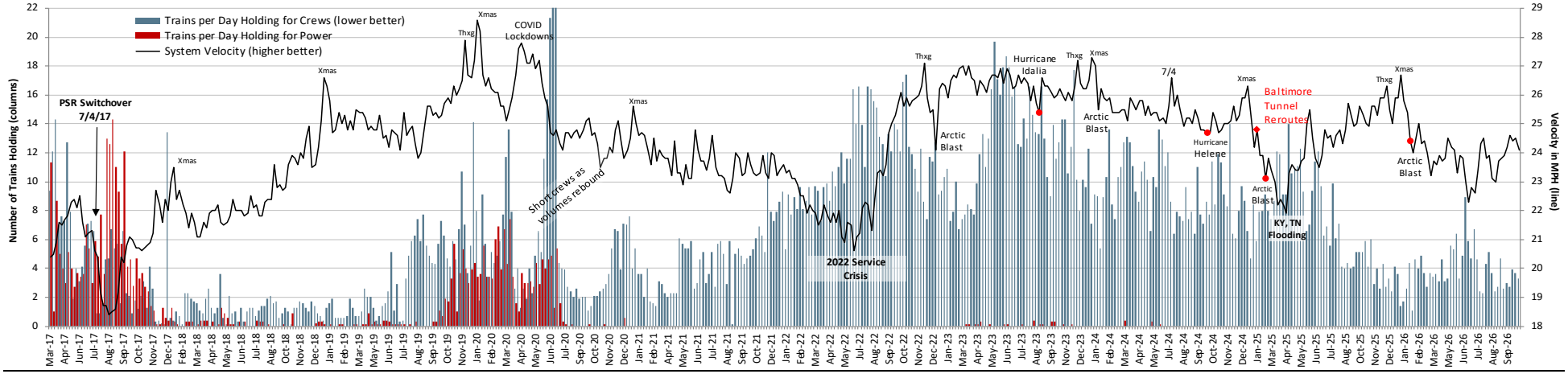
Source (all charts and tables): STB & www.bnsf.com/about-bnsf/financial-information.

CSX

Network Velocity and Trains Holding for Crews

On CSX's Q3 earnings call, management stated that Hurricane Isaias did not have a material impact on operations last week. Average train speed nonetheless softened 1.6%. Trains holding for crews improved modestly, from 3.7 to 3.3 per day. It was also notable, and arguably worrisome, that nobody from CSX's operating team spoke on the Q3 call. If Cory's successors are so talented, why were they shielded from Wall Street's questions? Presumably they know their stuff. I can't remember a railroad earnings call absent commentary from anyone in operations, given that's where 87% of the employees are.

Figure 19: CSX Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

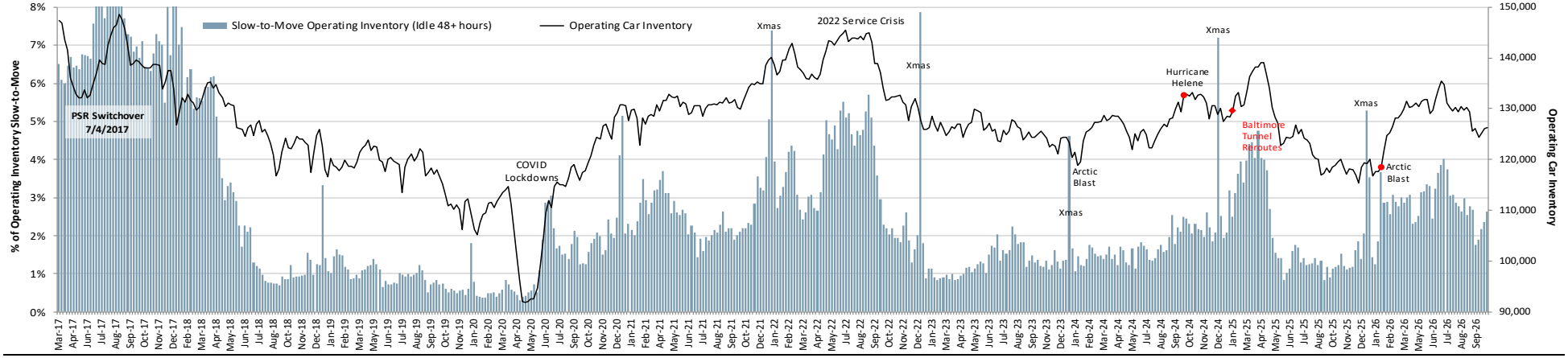


Source: CSX & STB. CSX trains holding based on daily snapshot that counts the number of trains delayed as at 3:30 AM every day. The delay is one hour for scheduled traffic and eight hours for bulk. Note CSX effectively stopped reporting trains holding for power from late 2020 despite the STB requirement to do so.

Operating Car Inventory and the Proportion Slow-to-Move

Operating inventory was essentially unchanged at 126,211 through October 16. For perspective, it averaged 119,934 when CSX was running well in the back half of last year. Higher volume obviously necessitates higher inventory, so the gap isn't quite as bad as it looks. The proportion of these cars that were slow-to-move increased from 2.4% to 2.6%.

Figure 20: CSX Operating Car Inventory and the Proportion Idle for 48+ hours During the Week (lower is better for both)

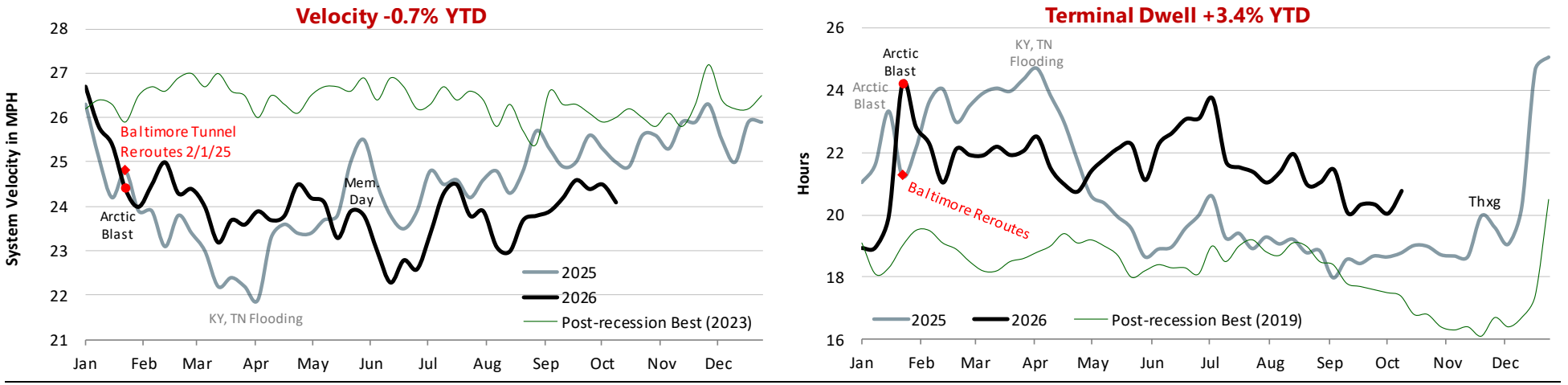


Source: CSX & STB. Operating inventory defined by CSX as "the number of active freight rail cars on lines operated by CSX, as determined by Rail Inc., excluding those being repaired, in storage, have been sold, or private cars dwelling at a customer location for more than one day."

Year-over-Year Network Velocity and Terminal Dwell

We've now lapped the 2025 Baltimore Howard St. tunnel closure and YoY comps are materially tougher. YTD velocity turned negative seven weeks ago and will continue to deteriorate through year end due to ongoing volume pressure on the network.

Figure 21: CSX High Level Velocity and Terminal Dwell

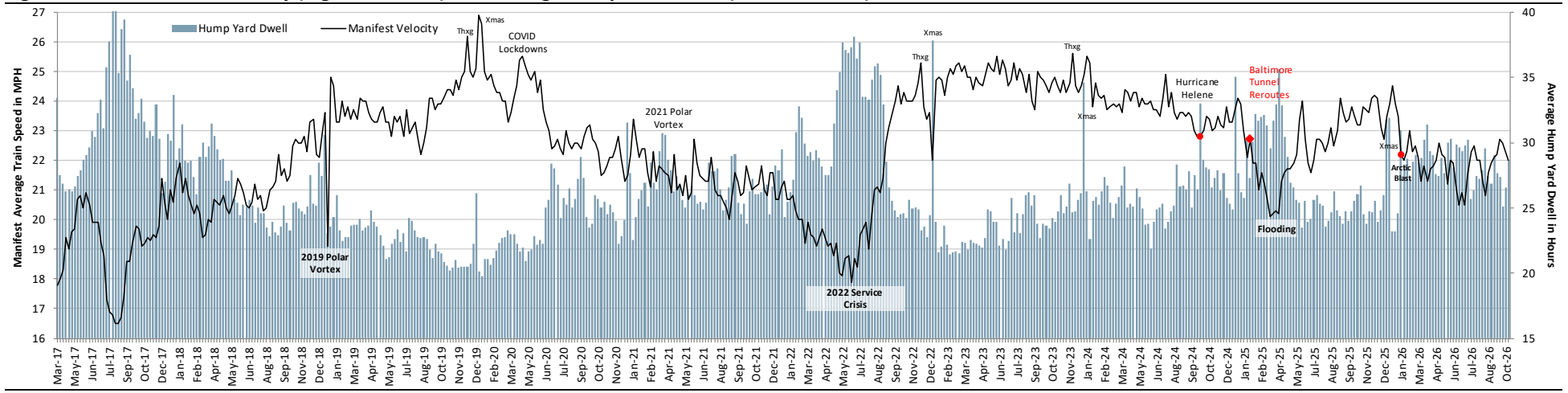


Source: CSX & STB.

Manifest Network Efficiency

Manifest velocity slowed 1.3% for a second week through October 16. Average dwell for CSX's five supporting hump yards had a bad week, jumping 8% to 28.7 hours. Within this, Selkirk, NY and Waycross, GA, were the laggards at 33 and 31 hours, respectively. Anything over 30 hours is bad for a hump.

Figure 22: CSX Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

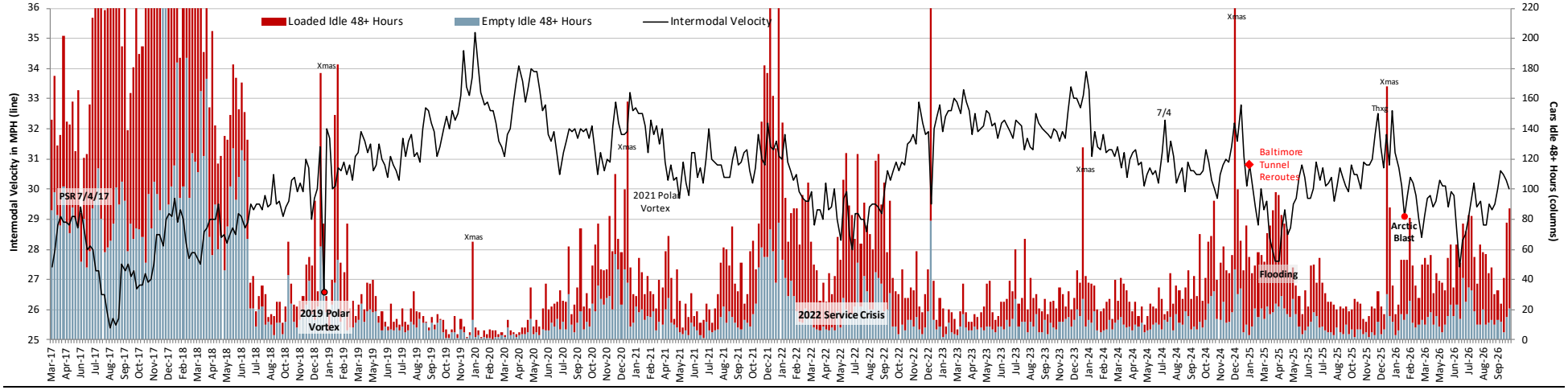


Source: CSX & STB. Hump Yard Dwell represents the average dwell for CSX's five active hump yards.

Intermodal Network Efficiency

Intermodal velocity edged 1% lower last week. Slow-to-move intermodal platforms increased from 78 to 87, representing a YTD high; albeit still acceptable in absolute terms.

Figure 23: CSX Intermodal Velocity (higher is better) and the Number of Slow-to-Move Platforms (lower is better)

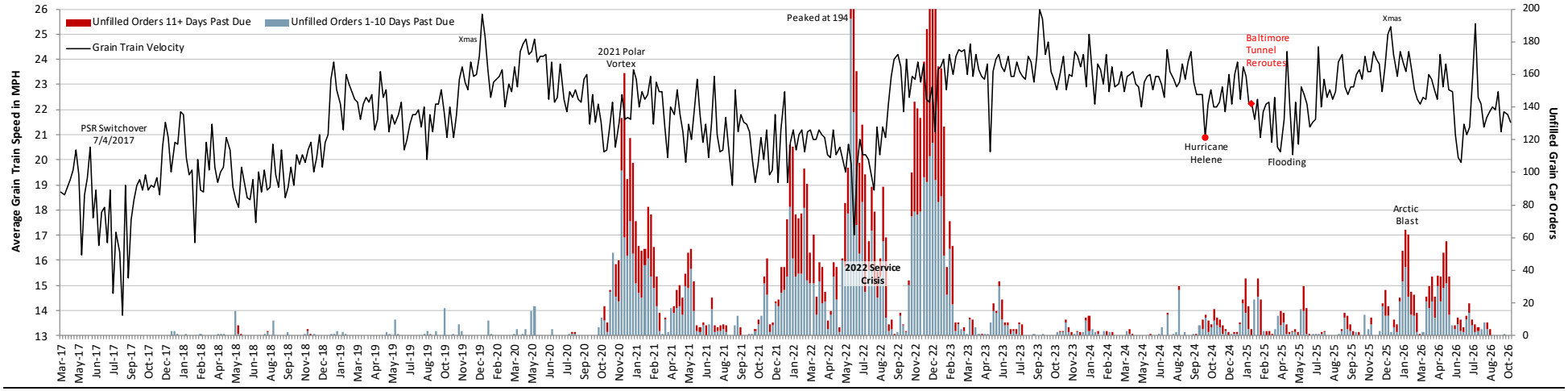


Source: CSX & STB.

Grain Train Efficiency

Grain velocity also decelerated; off 1.4% in the week ending October 16. CSX again reported zero unfilled grain car order to the STB.

Figure 24: CSX Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

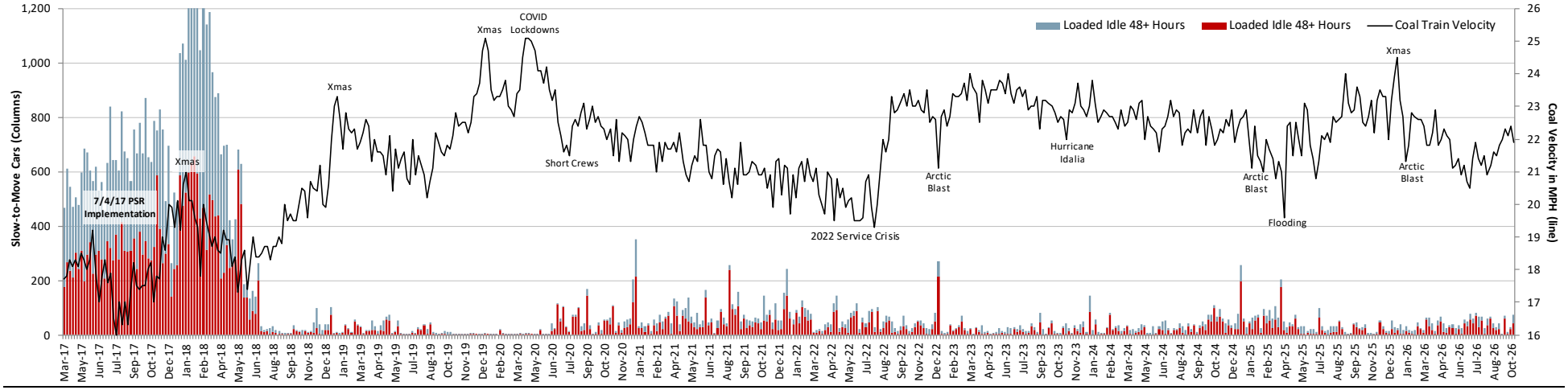


Source: CSX & STB.

Coal Train Efficiency

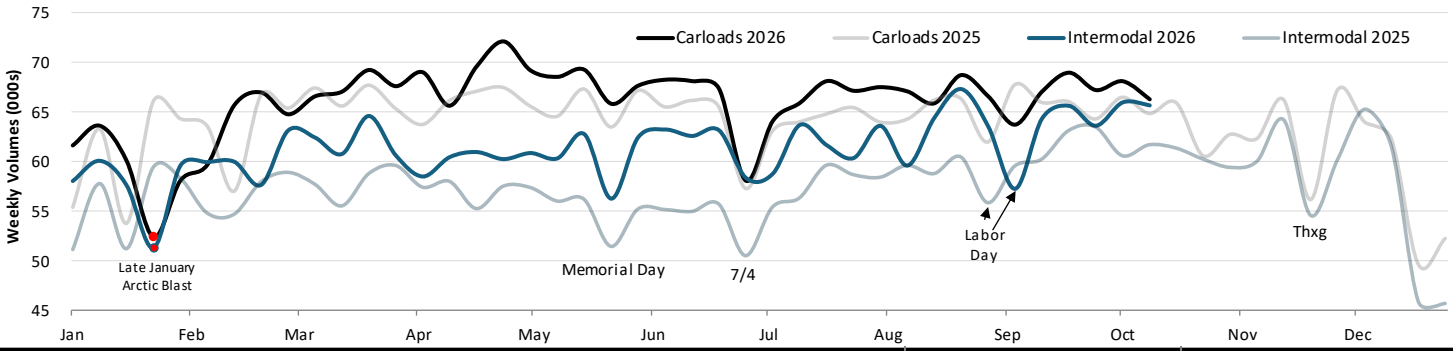
Average coal train speed completes the set; off by 2.2% last week. Slow-to-move coal cars increased from 30 to 75.

Figure 25: CSX Average Coal Train Speed (higher is better) and Slow-to-Move Cars (lower is better)



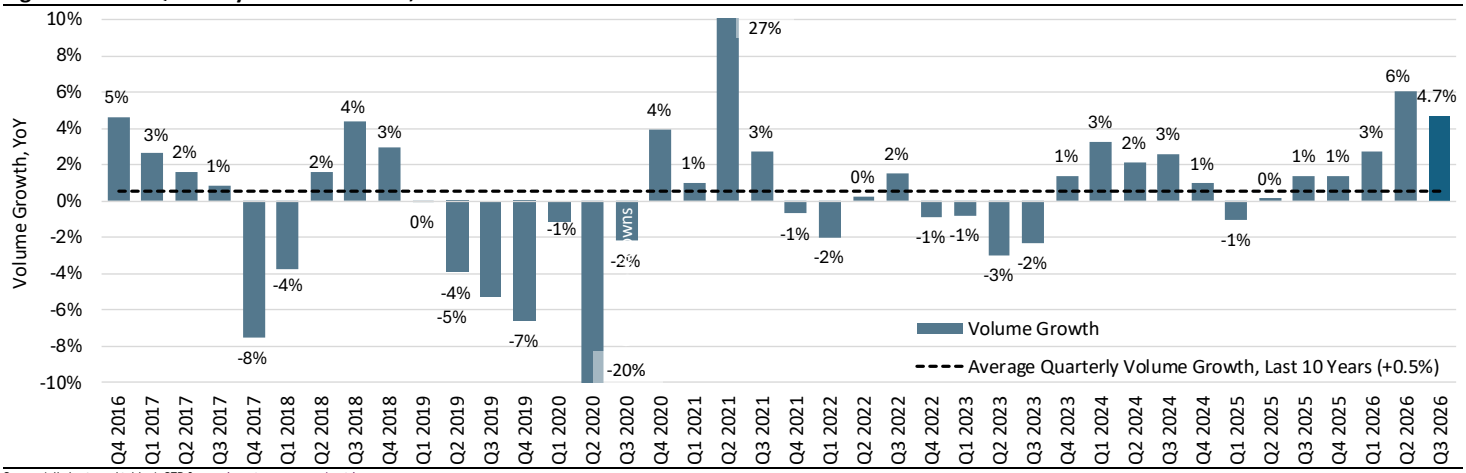
Source: CSX & STB.

CSX Volumes Through Week Ending 10/17/26



CSX		Year-to-Date			Q3 2026			Week Ending 10/17/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Coal	Coal	538.4	529.0	1.8%	173.6	171.3	1.3%	14.1	14.2	(0.4%)
(13% of Sales)	Metallic Ores	31.8	27.5	15.7%	10.0	9.4	7.1%	0.9	0.7	28.9%
	Coke	53.7	45.0	19.5%	17.3	13.6	26.9%	1.4	1.0	36.9%
	Total Coal	**623.9**	**601.5**	**3.7%**	**200.9**	**194.3**	**3.4%**	**16.5**	**15.9**	**3.3%**
Chemicals	Chemicals	418.5	418.7	(0.0%)	127.9	130.2	(1.8%)	9.2	9.9	(7.0%)
(20% of Sales)	Petroleum Products	104.2	105.1	(0.8%)	32.9	32.1	2.7%	2.4	2.4	2.2%
	Total Chemicals	**522.8**	**523.8**	**(0.2%)**	**160.8**	**162.3**	**(0.9%)**	**11.6**	**12.3**	**(5.2%)**
Automotive (8% of Sales)	**Motor Vehicles & Equipment**	**306.0**	**308.2**	**(0.7%)**	**97.5**	**99.1**	**(1.6%)**	**7.8**	**7.6**	**2.8%**
Agricultural & Food	Grain	123.0	116.9	5.2%	38.0	32.7	16.1%	2.8	2.3	22.3%
(11% of Sales)	Grain Mill Products	96.3	93.0	3.6%	30.5	29.6	2.7%	2.6	2.4	8.3%
	Farm Products, Ex Grain	5.8	5.4	8.7%	1.3	1.4	(5.2%)	0.1	0.1	2.1%
	Food & Kindred Products	82.9	83.1	(0.3%)	26.1	25.9	0.7%	2.0	2.1	(3.4%)
	Total & Food	**308.0**	**298.3**	**3.2%**	**95.9**	**89.7**	**6.9%**	**7.5**	**6.8**	**9.4%**
Forest Products	Pulp & Paper Products	111.5	116.3	(4.2%)	36.0	36.3	(0.9%)	2.5	2.5	0.1%
(7% of Sales)	Lumber & Wood Products	51.2	47.5	7.9%	17.2	14.4	19.1%	1.3	1.2	7.0%
	Primary Forest Products	25.4	25.7	(1.4%)	8.4	8.3	0.4%	0.6	0.6	0.3%
	Total Forest Products	**188.0**	**189.5**	**(0.8%)**	**61.5**	**59.1**	**4.2%**	**4.4**	**4.3**	**2.0%**
Metals	Metals & Products	116.3	112.5	3.4%	39.9	35.1	13.5%	2.7	2.3	15.2%
(6% of Sales)	Iron & Steel Scrap	67.6	62.5	8.0%	21.2	20.2	4.9%	1.6	1.6	0.9%
	Waste & Scrap	125.9	111.5	12.9%	42.5	36.6	16.1%	3.2	2.9	10.9%
	Total Metals	**309.8**	**286.6**	**8.1%**	**103.6**	**91.9**	**12.7%**	**7.5**	**6.8**	**10.0%**
Phosphates & Fertilizers (4% of Sales)	**Non-metallic Minerals**	**81.8**	**77.5**	**5.5%**	**24.6**	**23.9**	**3.0%**	**2.1**	**2.0**	**3.7%**
Minerals	Crushed Stone, Sand, & Gravel	224.5	219.9	2.1%	74.6	74.9	(0.4%)	5.1	5.3	(4.6%)
(6% of Sales)	Stone, Clay & Glass	120.0	122.4	(2.0%)	39.2	41.2	(4.8%)	3.0	3.1	(3.3%)
	All Other Carloads	43.0	40.5	6.2%	14.1	12.4	14.0%	0.9	0.7	27.6%
	Total Minerals & Other	**387.6**	**382.9**	**1.2%**	**128.0**	**128.5**	**(0.4%)**	**9.0**	**9.2**	**(1.7%)**
	TOTAL CARLOADS	**2,727.8**	**2,668.2**	**2.2%**	**872.7**	**848.7**	**2.8%**	**66.3**	**64.9**	**2.2%**
Intermodal	Containers	2,473.4	2,311.0	7.0%	799.9	750.3	6.6%	64.0	60.2	6.3%
(15% of Sales)	Trailers	57.5	54.7	5.3%	20.0	19.0	4.8%	1.6	1.5	9.1%
	TOTAL INTERMODAL	**2,531.0**	**2,365.7**	**7.0%**	**819.8**	**769.4**	**6.6%**	**65.7**	**61.7**	**6.4%**
	TOTAL	**5,258.8**	**5,033.9**	**4.5%**	**1,692.6**	**1,618.1**	**4.6%**	**132.0**	**126.6**	**4.3%**

Figure 26: CSX Quarterly Volume Growth, Last Ten Years



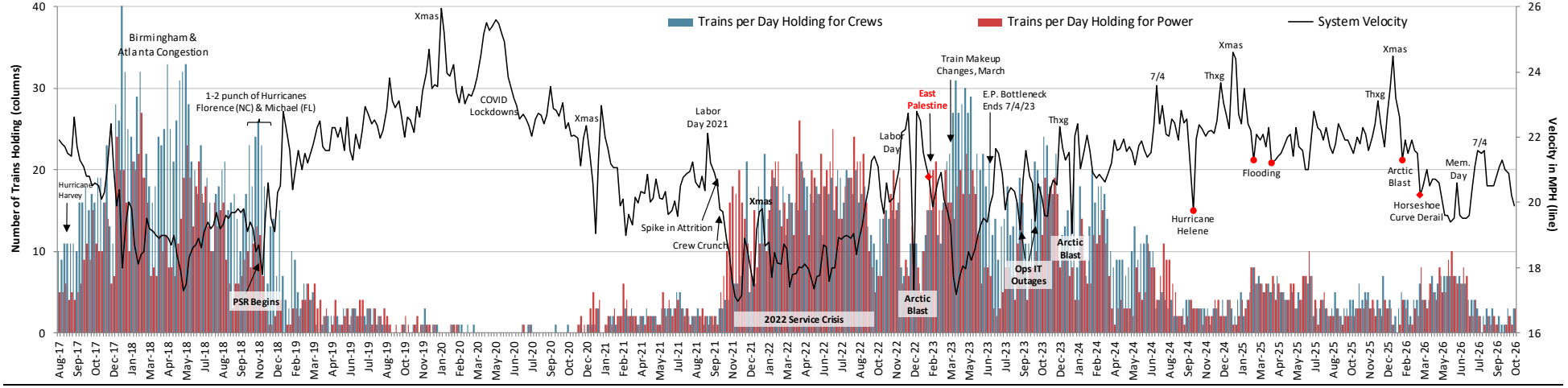
Source (all charts and tables): STB & www.investors.csx.com/metrics.

Norfolk Southern

Network Velocity and Trains Holding for Crews and Power

NS shed another 1.5% in velocity in the week ending October 16, pushing it just below 20 mph for the first time since the difficult May/June 2026 operational trough. Trains holding for crews increased by one to three per day, while trains holding for power added two to three per day.

Figure 27: Norfolk Southern Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

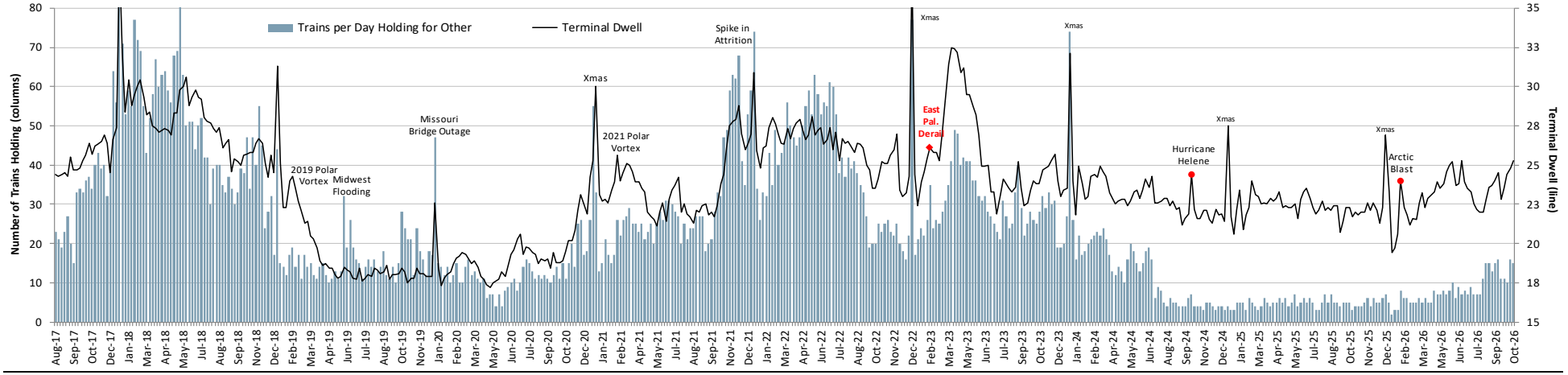


Source: Norfolk Southern & STB. NS trains holding is based on a daily snapshot that counts the number of trains delayed four hours or more as at 6AM every day.

Terminal Dwell and Trains Holding for Other Reasons

Terminal dwell deteriorated for a fourth consecutive week to arrive at 25.3 hours, which again is where it was in May/June. Trains holding for all reasons other than power and crews at least improved, by one, to 15 per day.

Figure 28: NS Terminal Dwell (lower is better) and Trains per Day Holding for Reasons Other than Power and Crews (lower is better)



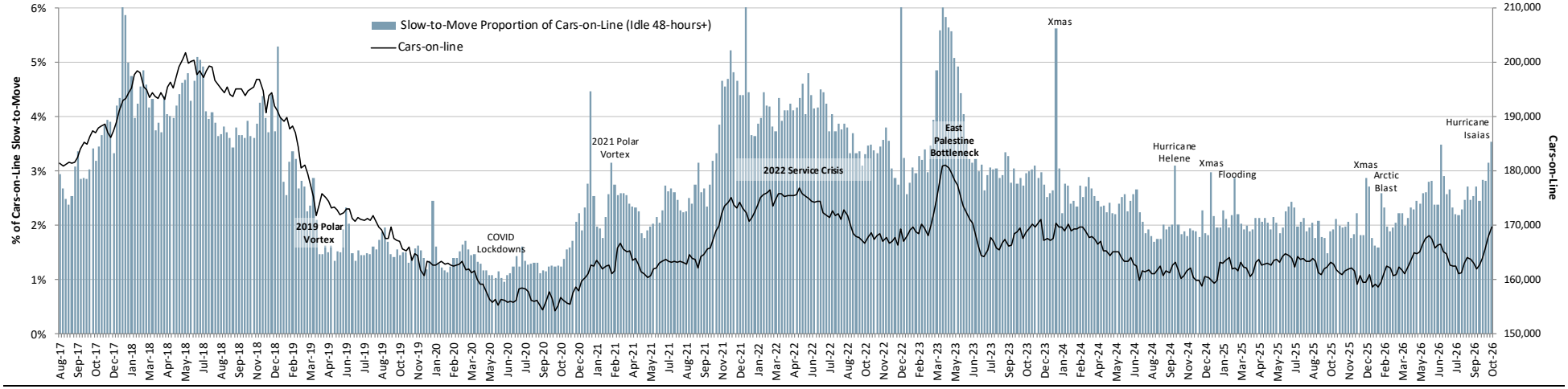
Source: Norfolk Southern & STB. NS trains holding is based on a daily snapshot that counts the number of trains delayed four hours or more as at 6AM every day.

Cars Online and the Proportion Slow-to-Move

Cars online predictably also went the wrong way, adding 1.2% to 169,653, which is a high we haven't seen since February 2024. The proportion of these cars that were slow-to-move has spiked over the last two weeks, from 2.8% to 3.5% in the 14 days through October 16.

Both numbers are materially higher than where they were during Hurricane Helene in 2024.

Figure 29: Norfolk Southern Cars Online and the Proportion Idle for 48-hours or more During the Week (lower is better for both)

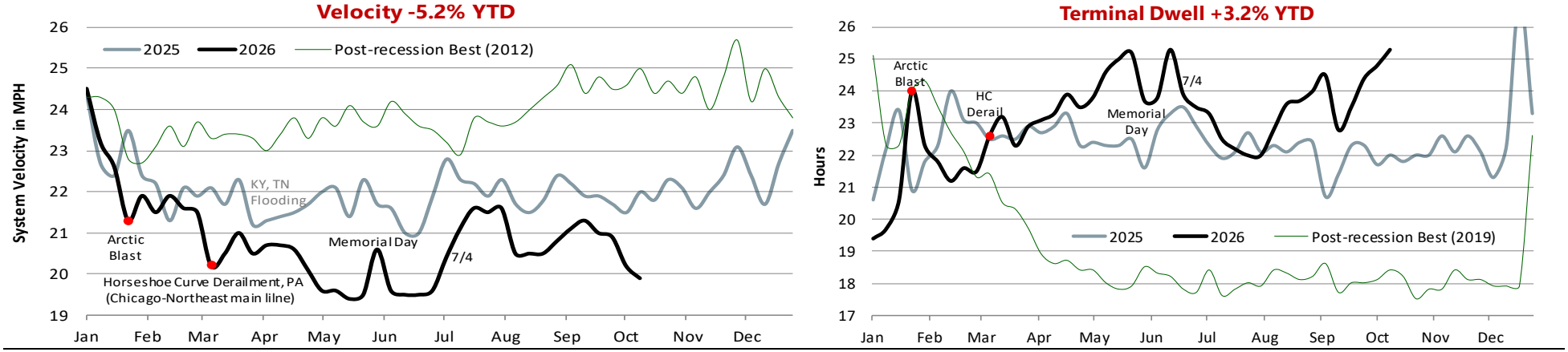


Source: Norfolk Southern & STB.

Year-over-Year Network Velocity and Terminal Dwell

The YTD numbers tell the story. Additionally, both metrics are, again, currently running materially worse than year-ago levels.

Figure 30: Norfolk Southern Velocity and Terminal Dwell

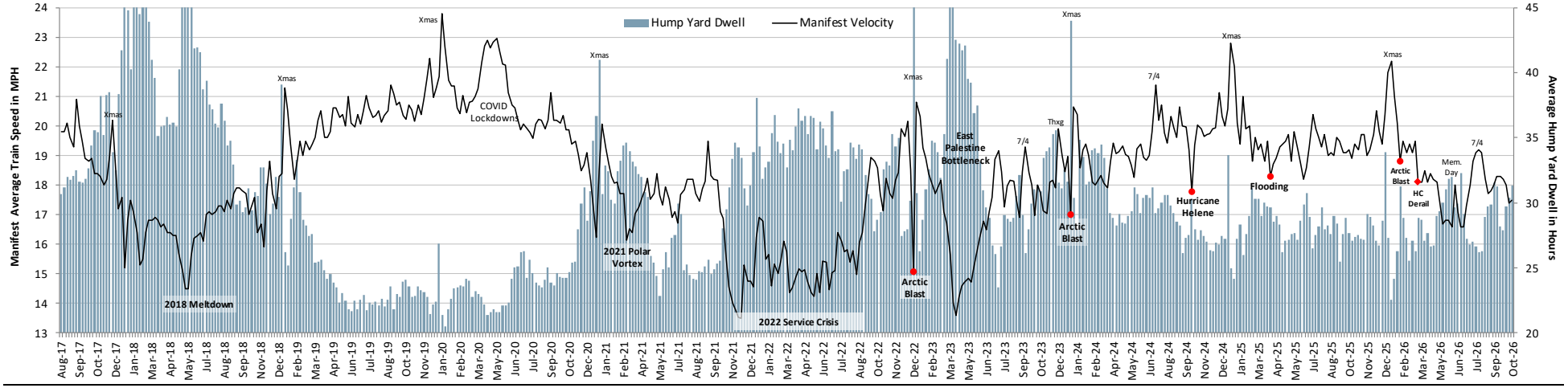


Source: Norfolk Southern & STB.

Manifest Network Efficiency

Here's some good news: manifest velocity upticked 0.1 mph (0.6%) in the week ending October 16. Here's some bad news: Norfolk's hump yards slowed car throughput by another 3.1% to 31.3 hours, on average, last week. An efficient hump runs <=24. The primary offenders are Bellevue, Ohio, at 39 hours, and Conway, PA, at 35 hours.

Figure 31: Norfolk Southern Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

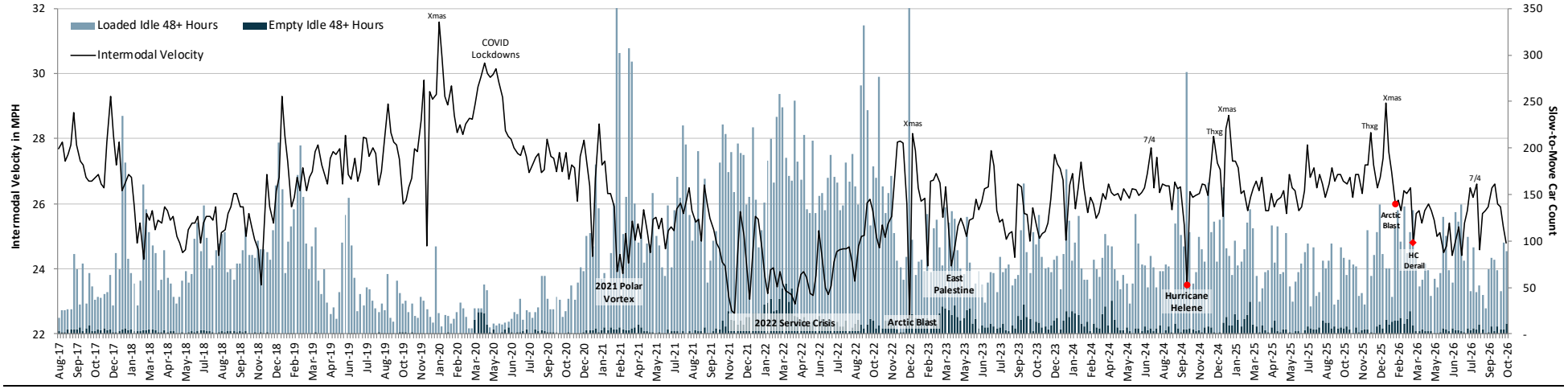


Source: Norfolk Southern & STB. Hump Yard Dwell represents average dwell for Norfolk Southern's six active hump yards.

Intermodal Network Efficiency

Intermodal loads increased by 1.4% last week versus the week prior, with a velocity reaction of -2%, which isn't a good tradeoff. Current speed is only 1.6% above a two-year low. Slow-to-move intermodal platforms improved modestly, from 98 to 89.

Figure 32: Norfolk Southern Intermodal Average Train Speed (higher is better) and Slow-to-Move Platforms (lower is better)

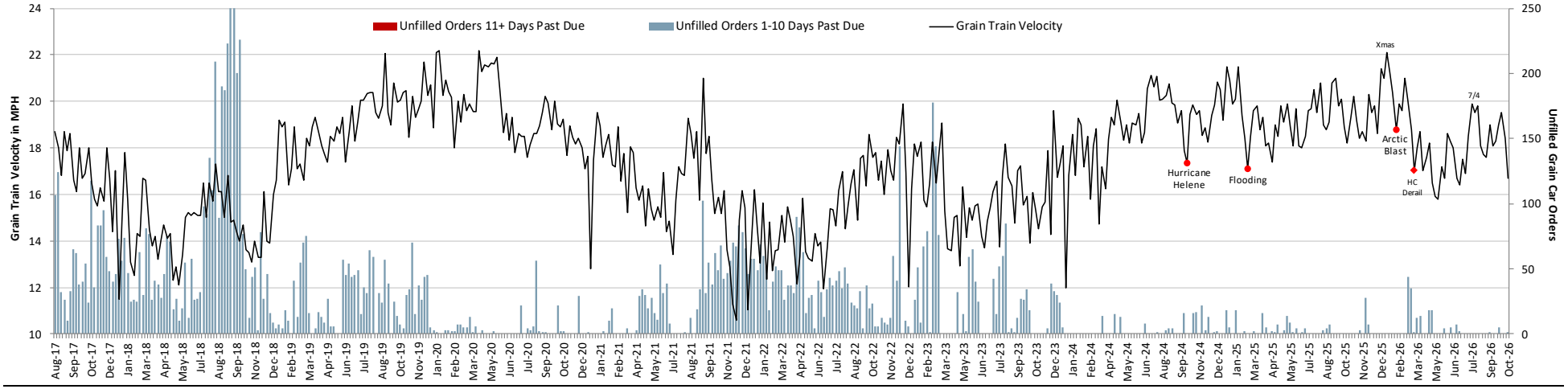


Source: Norfolk Southern & STB

Grain Train Efficiency

Grain velocity collapsed 9.2% in the week ending October 16. We'll put this down as a hurricane effect and look for a reversal next week. Despite this, NS somehow reported only a single unfilled customer grain car order to the STB.

Figure 33: Norfolk Southern Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

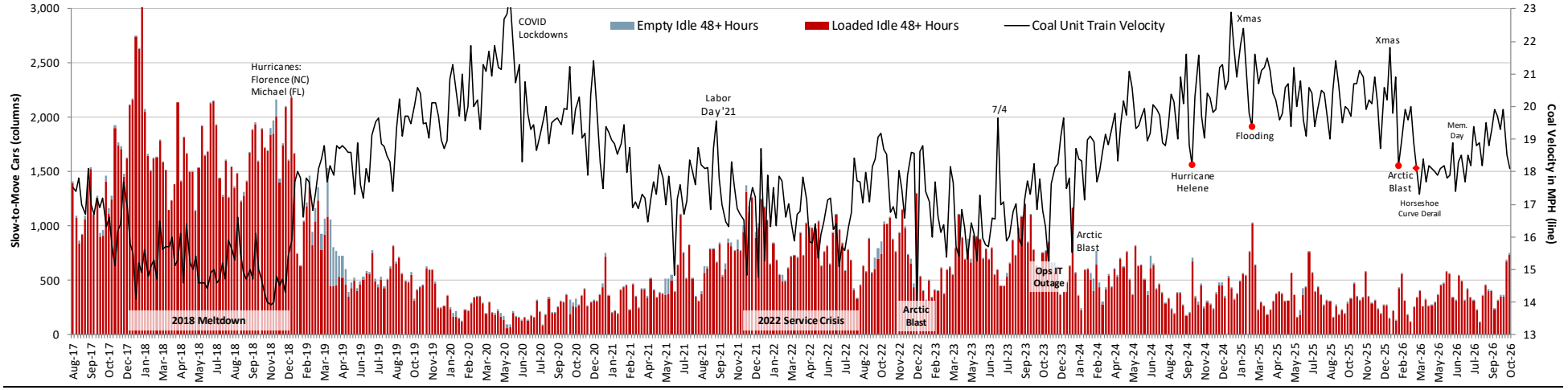


Source: Norfolk Southern & STB.

Coal Train Efficiency

The coal network also slowed, by 2.2% in the week ending October 16. Slow-to-move coal cars have had two bad weeks, adding another 58 to 751 last week.

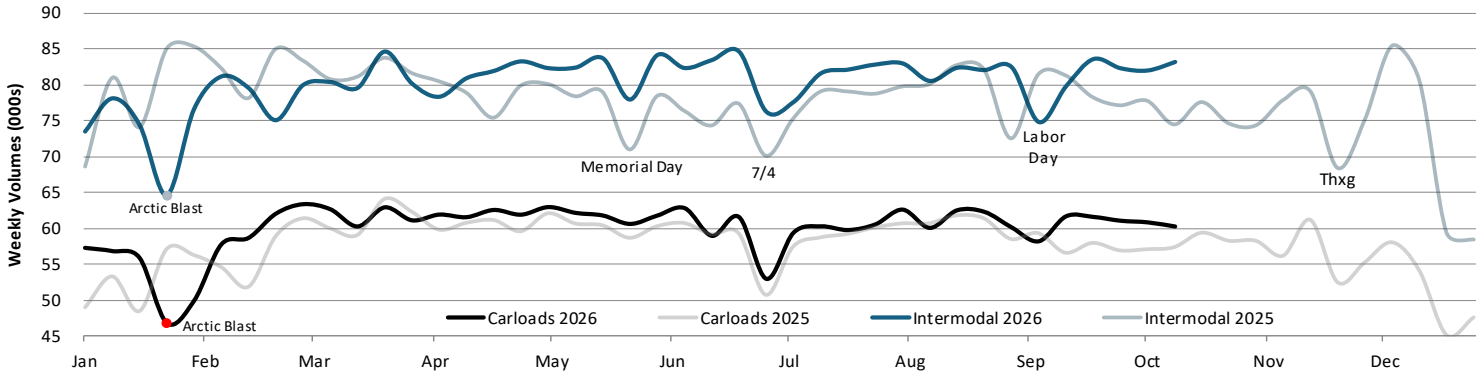
Figure 34: Norfolk Southern Average Coal Train Speed (higher is better) and Slow-to-Move Cars (lower is better)



Source: Norfolk Southern & STB.

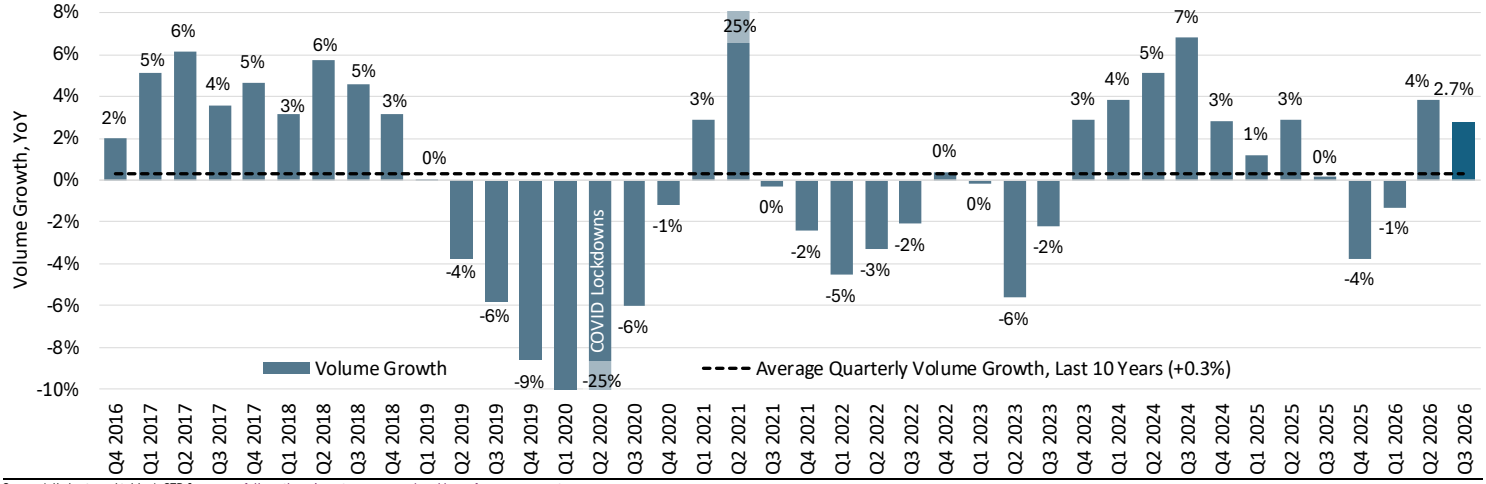
PUBLIC REDACTED VERSION

Norfolk Southern Volumes Through Week Ending 10/17/26



Norfolk Southern		Year-to-Date			Q3 2026			Week Ending 10/17/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Coal	Coal	558.7	527.2	6.0%	174.6	168.1	3.9%	12.6	11.8	6.3%
(12% of Sales)	Coke	27.2	27.3	(0.4%)	8.8	9.9	(11.7%)	0.5	0.5	(8.4%)
	Total Coal	**585.9**	**554.5**	**5.7%**	**183.4**	**178.0**	**3.0%**	**13.1**	**12.3**	**5.7%**
Chemicals	Chemicals	325.7	316.6	2.9%	102.9	100.3	2.5%	7.8	7.5	3.2%
(18% of Sales)	Petroleum Products	116.6	99.9	16.7%	38.0	33.6	13.1%	3.0	2.8	6.7%
	Non-metallic Minerals	20.0	18.1	10.5%	6.5	6.7	(2.6%)	0.6	0.6	5.5%
	Total Chemicals	**462.3**	**434.6**	**6.4%**	**147.3**	**140.6**	**4.8%**	**11.4**	**10.9**	**4.2%**
Metals & Construction	Metals & Products	202.4	197.3	2.6%	66.5	61.4	8.4%	5.1	4.0	26.8%
(14% of Sales)	Crushed Stone, Sand & Gravel	194.5	191.0	1.8%	67.1	61.3	9.5%	4.7	4.8	(2.1%)
	Stone, Clay & Glass	105.8	98.9	6.9%	35.1	32.3	8.8%	2.6	2.6	1.5%
	Iron & Steel Scrap	77.1	75.0	2.8%	25.1	25.0	0.5%	1.9	1.9	(1.1%)
	Metallic Ores	4.3	3.2	32.4%	1.5	1.0	50.4%	0.1	0.1	(7.5%)
	Total Metals/Construction	**584.1**	**565.5**	**3.3%**	**195.4**	**181.0**	**8.0%**	**14.4**	**13.4**	**7.4%**
Agriculture, Forest & Consumer	Grain	137.2	140.8	(2.6%)	42.0	40.9	2.6%	3.1	3.2	(4.9%)
(21% of Sales)	Grain Mill Products	102.0	99.9	2.1%	32.5	32.1	1.0%	2.5	2.5	2.3%
	Food & Kindred Products	71.9	70.4	2.2%	23.4	22.9	2.1%	2.0	1.8	7.8%
	Farm Products, Ex Grain	6.7	7.1	(4.3%)	2.0	2.2	(5.9%)	0.2	0.2	(6.1%)
	Pulp & Paper Products	86.3	90.9	(5.1%)	27.7	29.2	(4.9%)	2.1	2.1	(1.0%)
	Lumber & Wood Products	37.0	36.6	1.1%	12.5	11.2	11.3%	1.0	0.9	5.7%
	Primary Forest Products	11.9	12.8	(7.5%)	3.8	3.8	0.3%	0.3	0.3	(11.3%)
	Waste & Other Scrap	63.0	61.9	1.8%	20.6	20.0	2.9%	1.6	1.5	6.6%
	All Other Carloads	20.4	23.1	(12.0%)	6.8	7.2	(5.9%)	0.6	0.6	(10.9%)
	Total Ag, Forest, Consumer	**536.4**	**543.6**	**(1.3%)**	**171.3**	**169.5**	**1.0%**	**13.2**	**13.1**	**0.4%**
Automotive (10% of Sales)	**Motor Vehicles & Equipment**	**309.5**	**314.6**	**(1.6%)**	**96.0**	**103.6**	**(7.3%)**	**8.2**	**7.5**	**8.7%**
	TOTAL CARLOADS	**2,478.2**	**2,412.7**	**2.7%**	**793.4**	**772.7**	**2.7%**	**60.2**	**57.3**	**5.0%**
Intermodal	Containers	3,233.8	3,177.7	1.8%	1,038.0	1,010.9	2.7%	81.1	72.3	12.2%
(25% of Sales)	Trailers	79.0	78.0	1.3%	24.8	23.1	7.2%	2.1	2.2	(6.7%)
	TOTAL INTERMODAL	**3,312.8**	**3,255.7**	**1.8%**	**1,062.8**	**1,034.0**	**2.8%**	**83.1**	**74.5**	**11.6%**
	TOTAL	**5,791.1**	**5,668.4**	**2.2%**	**1,856.2**	**1,806.7**	**2.7%**	**143.3**	**131.8**	**8.7%**

Figure 35: Norfolk Southern Quarterly Volume Growth, Last Ten Years



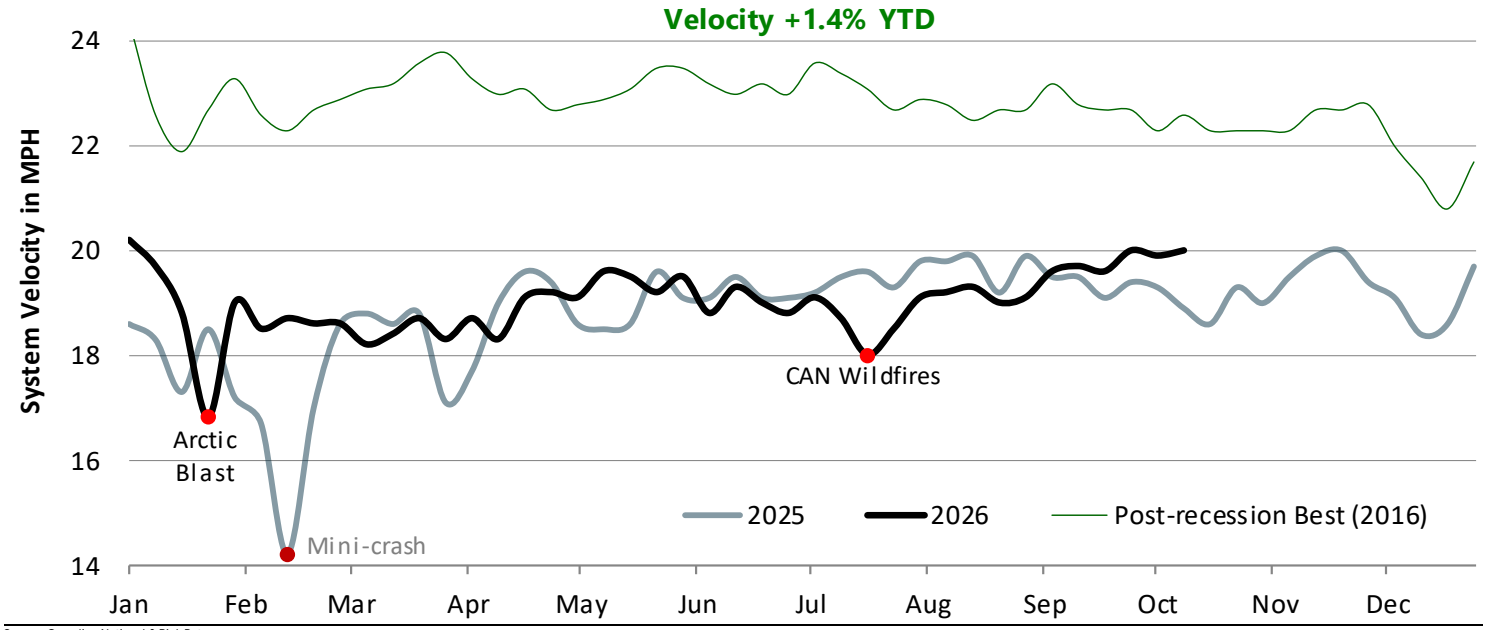
Source (all charts and tables): STB & www.norfolksouthern.investorroom.com/weekly-performance-reports.

Canadian National

Velocity is 1.4% ahead of last year on a cumulative basis; due largely to an easy YoY comp in February. Notably, average train speed has been approximating its YTD high over the last three weeks, which is a good sign heading into winter. Dwell continues to track year-ago levels. The read through from both of these charts is an operation that's solid and stable.

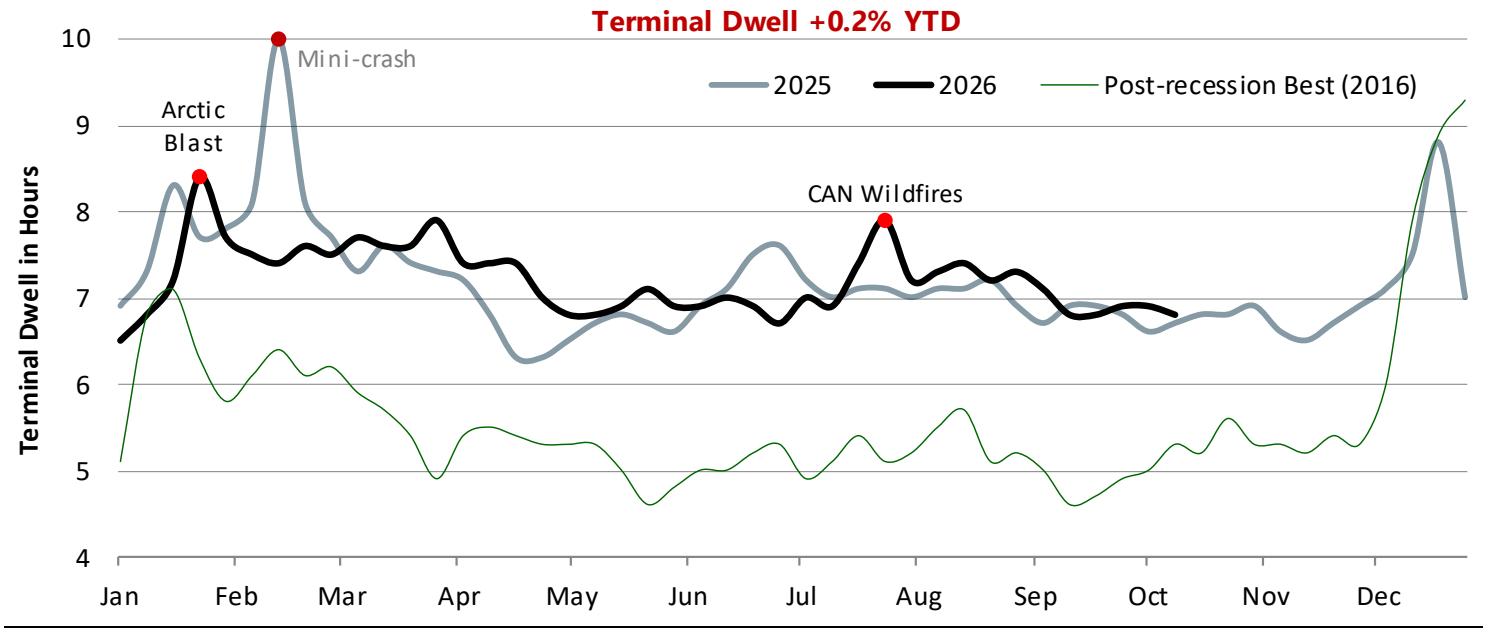
Year-over-Year Network Velocity and Terminal Dwell

Figure 36: Canadian National Full System Velocity



Source: Canadian National & Rick Paterson.

Figure 37: Canadian National Full System Terminal Dwell



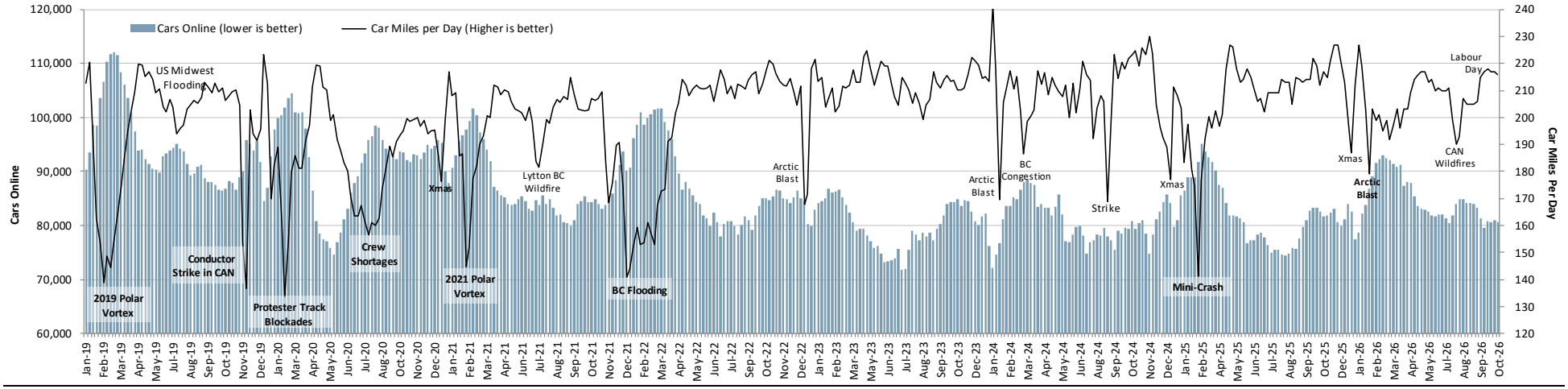
Source: Canadian National & Rick Paterson.

Note CN reports terminal dwell inclusive of "run-through trains", which heavily distorts this metric lower because it includes minimal dwell for cars on trains that have only stopped briefly to change crews or refuel (no switching). e.g. ~24 hours dwell for classified cars and ~3 hours dwell for cars on run-through trains. This is why CN and CPKC dwell is much lower than the mid-20s reported by the US railroads.

Cars Online and Car Miles Per Day

Car miles per day steady at 216 in the week ending October 16, and it's deviated no more than two over the past five weeks, so good consistency. Also for perspective, CN's normal healthy range is 200-220. Cars online flat at 80,624, which is comfortably below the 85,000 historical breakpoint where rolling stock clutter becomes a headwind for the network. Winter is where we see this seasonally tested.

Figure 38: Canadian National Cars Online (lower is better) and Car Miles Per Day (higher is better)

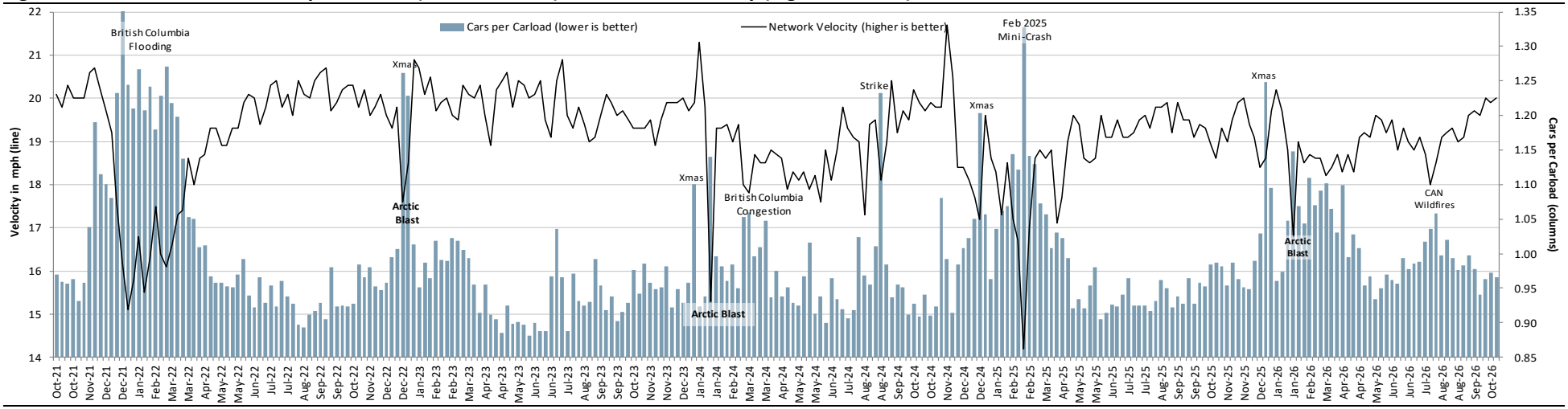


Source: Canadian National

Cars per Carload and Network Velocity

Velocity similarly strong in historical terms, at 20 mph. Cars per carload (columns, far right, and definition below the chart) unchanged at 0.97 last week. Anything below 1.0 is historically solid for CN and, again, it's only in the depths of the Canadian winter where keeping this ratio in check becomes a challenge.

Figure 39: Canadian National Cars per Carload (lower is better) and Network Velocity (higher is better)

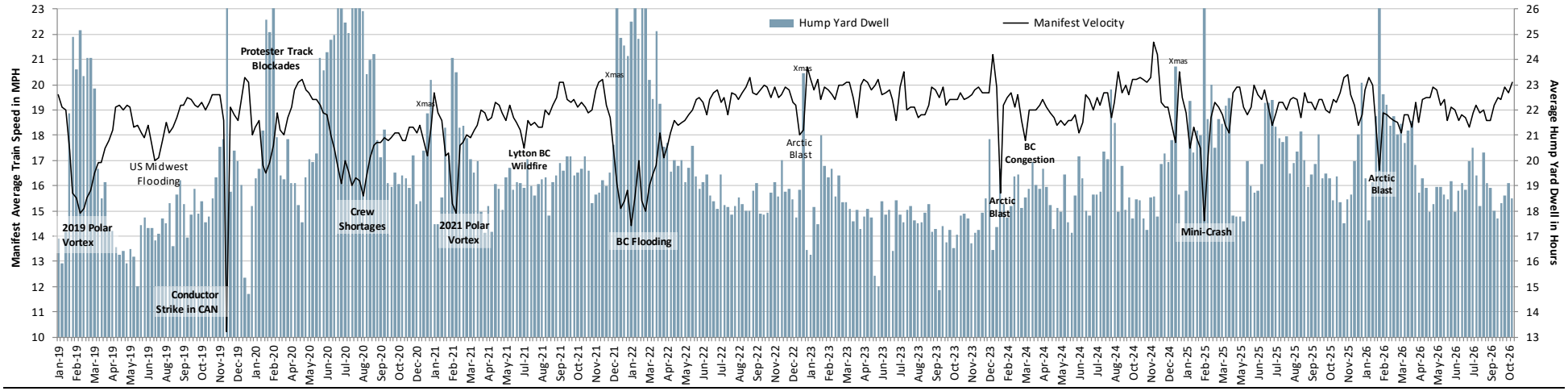


Source: Canadian National. Cars per Carload defined as weekly cars online divided by weekly loads, with intermodal divided by two to adjust containers to cars.

Manifest Network Efficiency

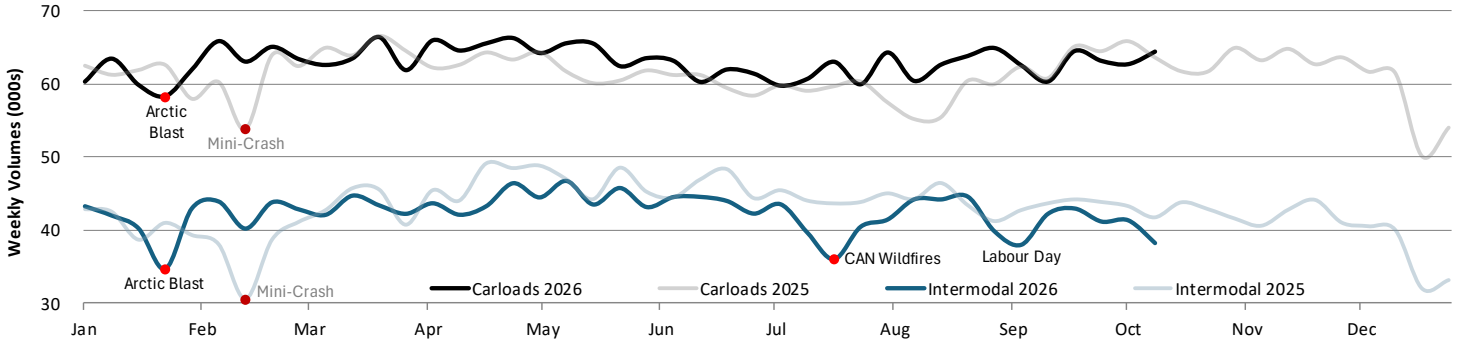
Manifest velocity accelerated by 2% in the week ending October 16 and now sits at a 10-month high. Average hump yard dwell also improved, by 3.1% to 18.5 hours.

Figure 40: Canadian National Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)



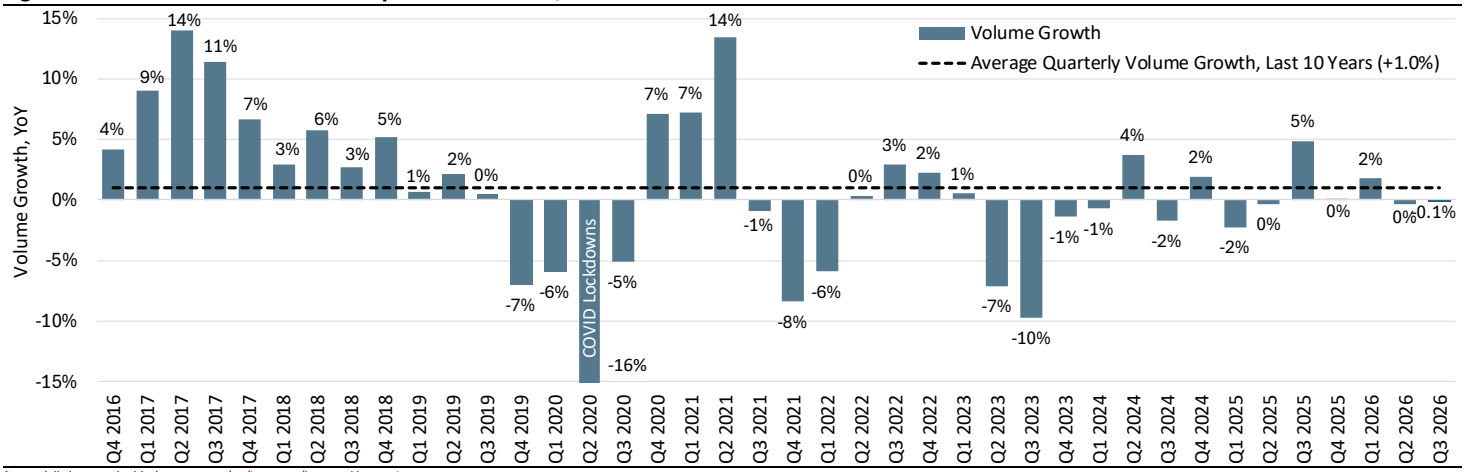
Source: Canadian National. Hump dwell is the average of MacMillan Yard, ON, Symington Yard, MB, and Harrison Yard, TN. CN's fourth hump, Kirk Yard, IN, is excluded because its dwell is calculated differently (reported to the STB excluding run-through trains whereas the other three are reported on CN's website inclusive of run-through.)

Canadian National Volumes Through Week Ending 10/17/26



Canadian National		Year-to-Date			Q3 2026			Week Ending 10/17/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Petroleum & Chemicals	Chemicals	373.1	364.5	2.4%	116.4	115.5	0.8%	8.7	8.6	0.4%
(20% of Sales)	Petroleum Products	280.8	257.0	9.3%	87.9	81.9	7.4%	6.5	6.2	5.5%
	Non-metallic Minerals	47.8	47.0	1.7%	14.9	13.8	7.9%	1.0	1.0	(4.4%)
	Total Petroleum & Chemicals	**701.7**	**668.4**	**5.0%**	**219.3**	**211.2**	**3.8%**	**16.2**	**15.9**	**2.1%**
Grain & Fertilizers	Grain	249.3	225.5	10.5%	71.4	62.9	13.4%	7.8	7.1	10.1%
(21% of Sales)	Farm Products, Ex Grain	72.4	56.5	28.2%	19.1	14.1	34.7%	1.6	1.6	(2.3%)
	Grain Mill Products	56.9	54.0	5.4%	17.9	16.3	9.7%	1.6	1.5	2.5%
	Food & Kindred Products	81.5	73.7	10.6%	27.5	22.6	21.7%	2.1	2.1	2.1%
	Total Grain & Fertilizers	**460.1**	**409.7**	**12.3%**	**135.8**	**116.0**	**17.1%**	**13.2**	**12.4**	**6.2%**
Forest Products	Pulp & Paper Products	101.5	98.2	3.4%	31.7	30.6	3.4%	2.4	2.3	3.3%
(11% of Sales)	Lumber & Wood Products	86.4	90.9	(4.9%)	26.8	27.0	(0.6%)	2.0	1.7	14.3%
	Primary Forest Products	19.9	24.8	(19.8%)	6.5	7.1	(8.2%)	0.4	0.5	(17.0%)
	Total Forest Products	**207.8**	**213.8**	**(2.8%)**	**65.0**	**64.7**	**0.5%**	**4.8**	**4.6**	**5.1%**
Metals & Minerals	Metallic Ores	402.4	399.5	0.7%	128.6	122.9	4.6%	10.4	10.7	(2.2%)
(11% of Sales)	Crushed stone, Sand, & Gravel	110.5	113.0	(2.3%)	38.6	37.2	3.9%	3.2	2.9	12.1%
	Metals & Products	56.2	58.1	(3.2%)	18.3	16.5	11.5%	1.2	1.3	(12.9%)
	Stone, Clay & Glass	41.4	40.1	3.1%	14.1	12.8	10.1%	1.2	1.0	16.4%
	All Other Carloads	59.8	52.4	14.2%	17.2	18.0	(4.2%)	1.3	1.2	8.0%
	Iron & Steel Scrap	34.4	27.5	25.1%	11.2	8.8	26.2%	0.8	0.6	35.7%
	Waste & Other Scrap	13.6	13.9	(1.9%)	4.4	4.5	(0.8%)	0.2	0.3	(23.6%)
	Total Metals & Minerals	**718.3**	**704.5**	**1.9%**	**232.4**	**220.6**	**5.4%**	**18.2**	**17.9**	**2.0%**
Autos (5% of Sales)	**Motor Vehicles & Equipment**	**172.1**	**169.9**	**1.3%**	**55.7**	**51.8**	**7.7%**	**4.0**	**4.3**	**(7.5%)**
Coal	Coal	297.0	325.2	(8.7%)	93.0	105.9	(12.1%)	7.2	7.3	(2.0%)
(6% of Sales)	Coke	48.1	52.4	(8.3%)	16.3	15.8	3.1%	0.7	1.3	(42.8%)
	Total Coal	**345.1**	**377.7**	**(8.6%)**	**109.3**	**121.6**	**(10.2%)**	**7.9**	**8.6**	**(8.0%)**
	TOTAL CARLOADS	**2,605.1**	**2,544.0**	**2.4%**	**817.6**	**786.0**	**4.0%**	**64.4**	**63.7**	**1.0%**
Intermodal	Containers	1,753.4	1,803.1	(2.8%)	545.0	577.9	(5.7%)	38.2	41.7	(8.3%)
(22% of Sales)	Trailers	0.0	0.0		0.0	0.0		0.0	0.0	
	TOTAL INTERMODAL	**1,753.4**	**1,803.1**	**(2.8%)**	**545.0**	**577.9**	**(5.7%)**	**38.2**	**41.7**	**(8.3%)**
	TOTAL	**4,358.5**	**4,347.1**	**0.3%**	**1,362.6**	**1,363.9**	**(0.1%)**	**102.6**	**105.4**	**(2.6%)**

Figure 41: Canadian National Quarterly Volume Growth, Last Ten Years

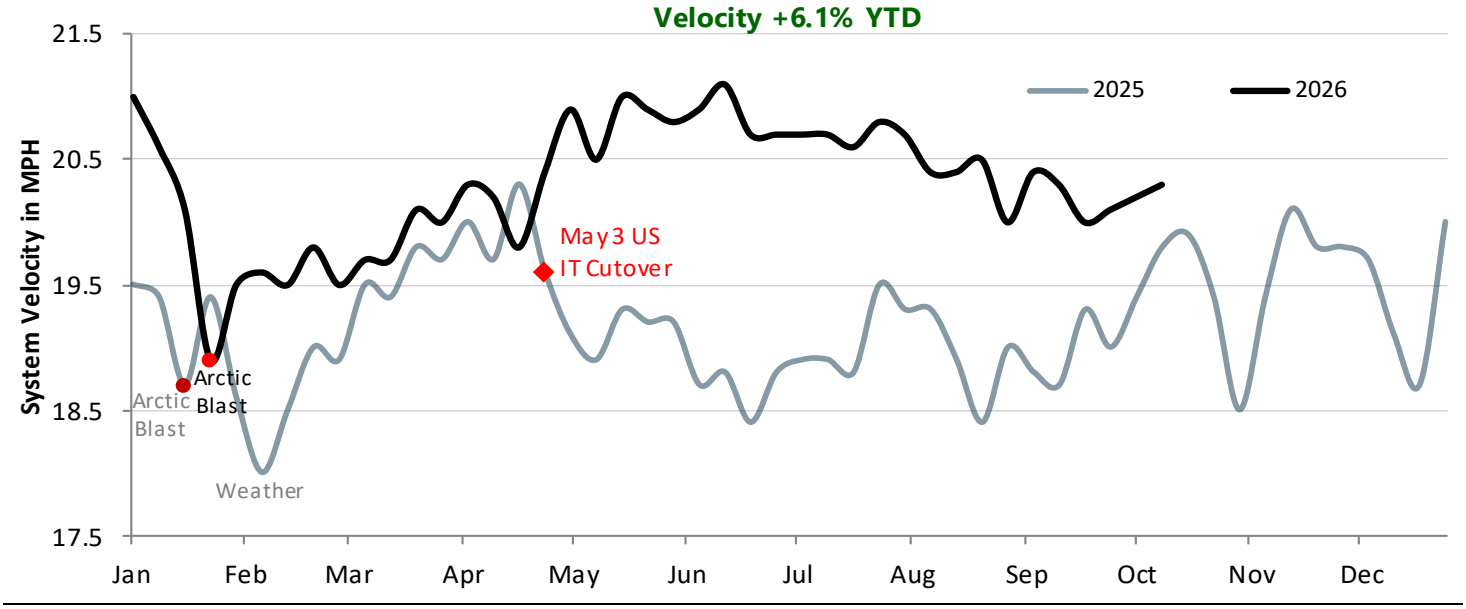


Source (all charts and tables): www.cn.ca/en/investors/key-weekly-metrics.

Velocity nicely above 2025 levels, due in large part to an easy 2025 comp reflecting last year's difficult IT cutover on the US KCS properties to CP's transportation management system (from MCS to TYES). Dwell approximating year-ago levels for the last six weeks through October 16.

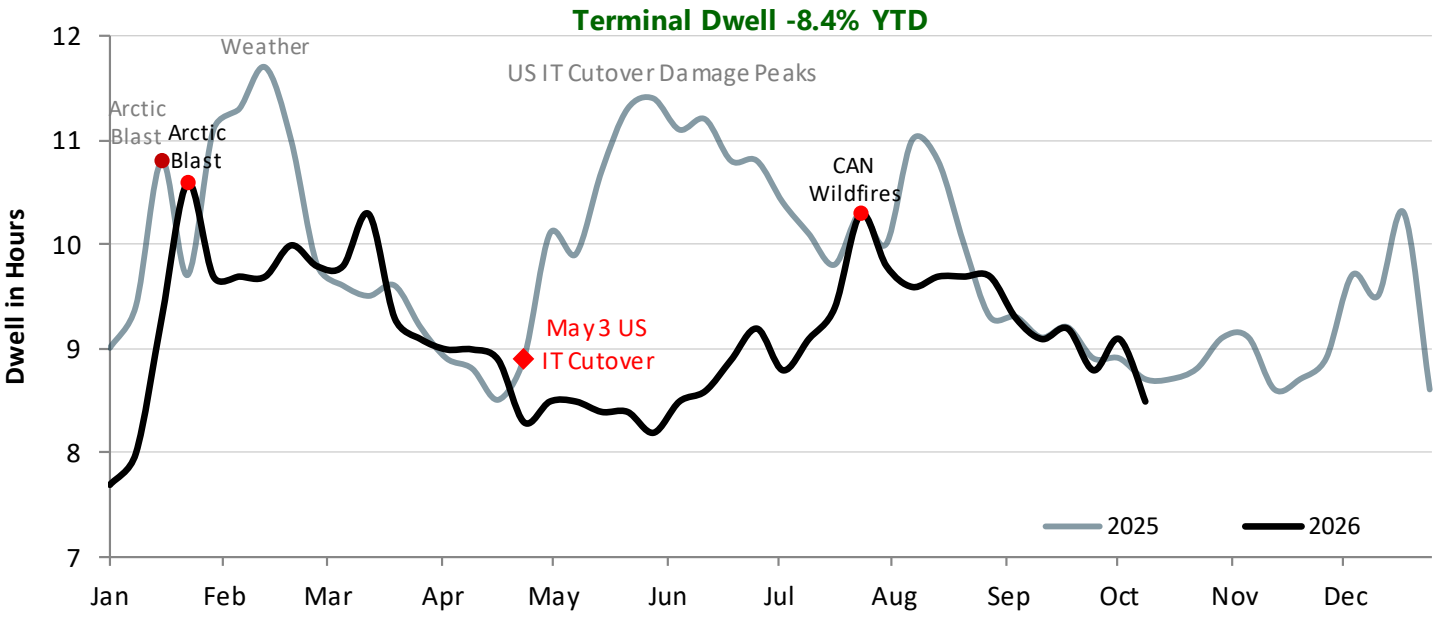
Year-over-Year Network Velocity and Terminal Dwell

Figure 42: CPKC Full System Velocity



Source: CPKC.

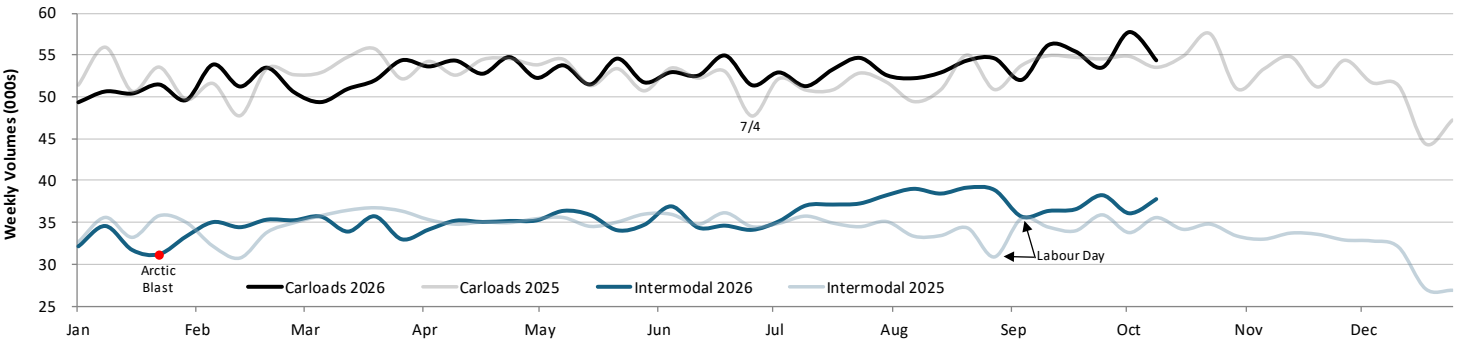
Figure 43: CPKC Full System Terminal Dwell



Source: CPKC.

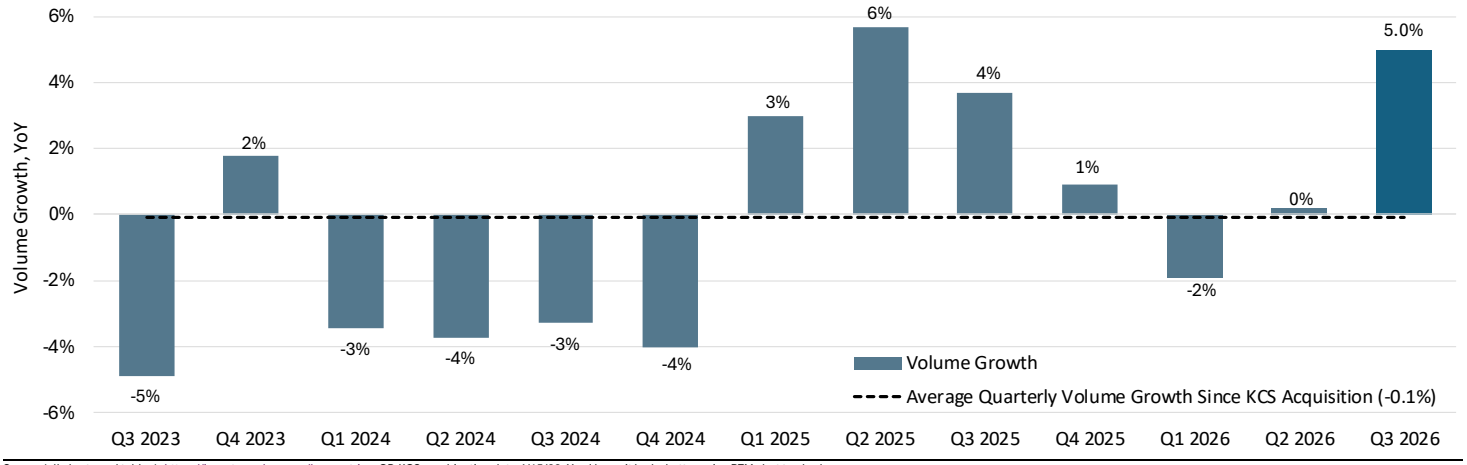
Note CPKC reports terminal dwell inclusive of "run-through trains", which heavily distorts this metric lower because it includes minimal dwell for cars on trains that have only stopped briefly to change crews or refuel (no switching). e.g. ~24 hours dwell for classified cars and ~3 hours dwell for cars on run-through trains. This is why CPKC and CN dwell is much lower than the mid-20s reported by the US railroads.

CPKC Volumes Through Week Ending 10/17/26



CPKC		Year-to-Date			Q3 2026			Week Ending 10/17/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Grain	Grain	318.0	289.4	9.9%	99.5	86.2	15.5%	8.1	7.8	3.8%
(21% of Sales)	Farm Products, Ex Grain	80.1	52.3	53.3%	24.2	15.4	57.1%	2.7	1.9	45.6%
	Food & Kindred Products	84.3	74.1	13.9%	27.7	24.0	15.3%	2.3	1.8	29.9%
	Grain Mill Products	51.3	47.5	8.1%	15.8	15.0	5.1%	1.2	1.2	2.0%
	Total Grain	**533.8**	**463.2**	**15.2%**	**167.3**	**140.7**	**18.9%**	**14.4**	**12.7**	**13.5%**
Energy, Chemicals & Plastics	Chemicals	394.0	398.1	(1.0%)	123.6	129.0	(4.2%)	9.4	8.7	8.7%
(19% of Sales + 5% Potash)	Petroleum Products	232.5	242.3	(4.0%)	73.5	73.2	0.3%	5.8	5.5	5.2%
	Total Energy, Chem, Plastics	**626.5**	**640.4**	**(2.2%)**	**197.1**	**202.2**	**(2.5%)**	**15.3**	**14.2**	**7.4%**
Metals, Minerals & Consumer	Stone, Clay & Glass	73.8	72.0	2.5%	24.5	24.1	1.8%	1.8	1.7	7.2%
(12% of Sales)	Crushed Stone, Gravel & Sand	106.6	95.1	12.0%	34.4	31.4	9.6%	2.9	2.5	14.4%
	Metals and Products	103.5	99.8	3.7%	34.9	28.8	21.3%	2.5	2.3	12.5%
	Iron and Steel Scrap	37.6	37.0	1.7%	12.2	11.8	3.1%	1.0	0.9	13.5%
	Metallic Ores	15.5	15.8	(2.0%)	5.1	4.2	23.2%	0.4	0.5	(28.1%)
	Waste & Scrap Materials	9.1	9.8	(7.5%)	3.3	3.5	(4.1%)	0.2	0.2	2.3%
	Total Metals, Min, Consumer	**346.0**	**329.4**	**5.0%**	**114.6**	**103.8**	**10.4%**	**8.8**	**8.0**	**9.1%**
Coal	Coal	304.8	355.5	(14.3%)	102.8	118.7	(13.4%)	7.4	10.0	(26.0%)
(7% of Sales)	Coke	37.3	33.2	12.5%	12.4	7.9	57.1%	1.0	0.7	39.5%
	Total Coal	**342.1**	**388.7**	**(12.0%)**	**115.2**	**126.6**	**(9.0%)**	**8.4**	**10.7**	**(21.7%)**
Automotive (9% of Sales)	**Motor Vehicles & Equipment**	**184.4**	**192.0**	**(4.0%)**	**59.3**	**61.6**	**(3.7%)**	**4.0**	**4.3**	**(6.4%)**
Fertilizers & Sulphur (3% of Sales)	**Non-metallic Minerals**	**15.4**	**14.6**	**5.2%**	**5.2**	**4.9**	**6.3%**	**0.4**	**0.4**	**(2.7%)**
Forest Products	Primary Forest Products	2.2	1.4	54.0%	0.8	0.5	64.3%	0.0	0.1	(11.1%)
(5% of Sales)	Lumber and Wood Products	32.5	33.3	(2.5%)	10.7	9.9	7.3%	0.7	0.7	(1.7%)
	Pulp & Paper Products	63.5	68.9	(7.9%)	20.3	21.1	(3.9%)	1.5	1.6	(6.5%)
	Total Forest Products	**98.1**	**103.6**	**(5.3%)**	**31.7**	**31.5**	**0.7%**	**2.2**	**2.3**	**(5.2%)**
All Other Carloads	**Total All Other Carloads**	**42.1**	**48.9**	**(13.9%)**	**12.7**	**14.7**	**(13.7%)**	**1.0**	**0.9**	**8.0%**
	TOTAL CARLOADS	**2,188.3**	**2,180.8**	**0.3%**	**702.9**	**685.8**	**2.5%**	**54.4**	**53.6**	**1.6%**
Intermodal	Containers	1,466.4	1,429.7	2.6%	489.5	449.9	8.8%	37.7	35.5	6.2%
(18% of Sales)	Trailers	0.7	1.7	(61.6%)	0.1	0.2	(75.5%)	0.1	0.0	614.3%
	TOTAL INTERMODAL	**1,467.0**	**1,431.4**	**2.5%**	**489.5**	**450.1**	**8.8%**	**37.7**	**35.5**	**6.3%**
	TOTAL	**3,655.3**	**3,612.2**	**1.2%**	**1,192.4**	**1,135.9**	**5.0%**	**92.1**	**89.1**	**3.5%**

Figure 44: CPKC Quarterly Volume Growth Since KCS Acquisition



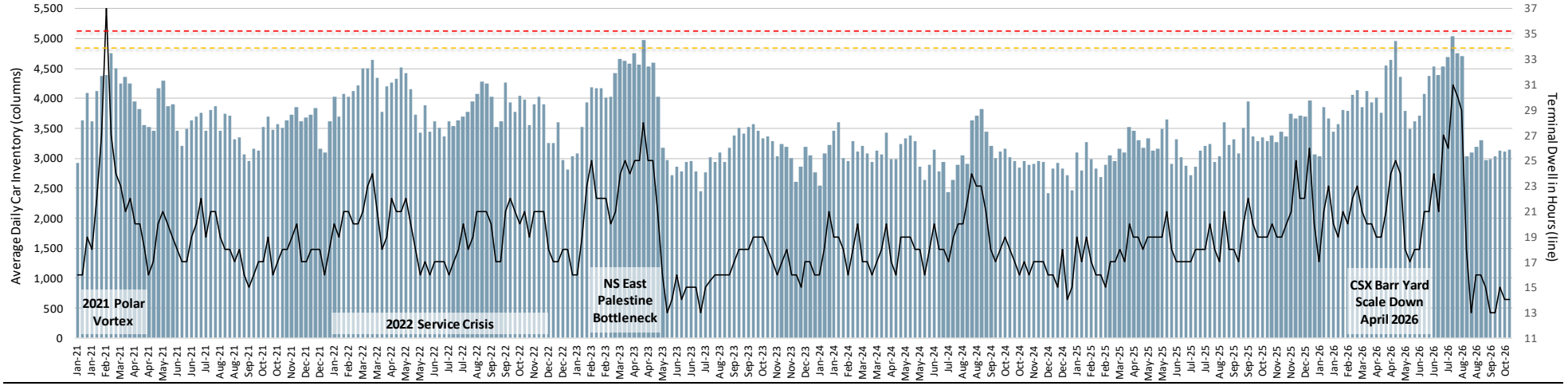
Source (all charts and tables): https://investor.cpkcr.com/key-metrics. CP-KCS combination date 4/15/23. Yes I know it looks better using RTMs but too bad.

Chicago Area Hump Yards

Clearing Yard (Belt Railway of Chicago)

In April 2026, CSX scaled down operations at its Barr Yard in Chicago, cutting inventory from ~1,700 to ~300, with the majority of the switching work moving to Clearing. After becoming overloaded in July, the BRC temporarily cut Clearing Yard inbound train length by 40% (10,000 to 6,000 feet) in early August to decongest and essentially reset the yard. In the most recent week, ending October 16, yard inventory remains stable at 3,153 and dwell of 14 hours was unchanged.

Figure 45: Clearing Average Daily Inventory (lower is better) and Terminal Dwell (lower is better). Capacity reaches Yellow Status at 4,800 cars and Red Status at 5,100

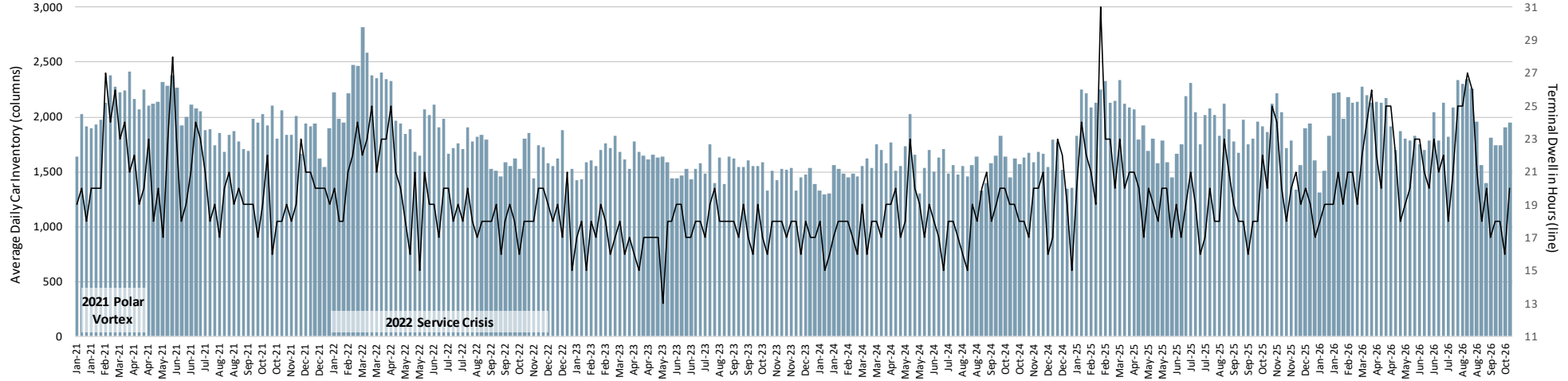


Source: STB. Average Daily Inventory is a daily count of the cars within the yard. The BRC regards dwell at or below 24 hours as fluid for Clearing Yard. Its historical efficient range is 15-20.

Kirk Yard (Canadian National)

Located just over the state border in Gary, Indiana. Car inventory increased slightly, from 1,909 to 1,948 last week. Dwell increased by four hours to 20.

Figure 46: Kirk Average Daily Inventory (lower is better) and Terminal Dwell (lower is better). Capacity reaches Yellow Status at 3,500 cars and Red Status at 4,000

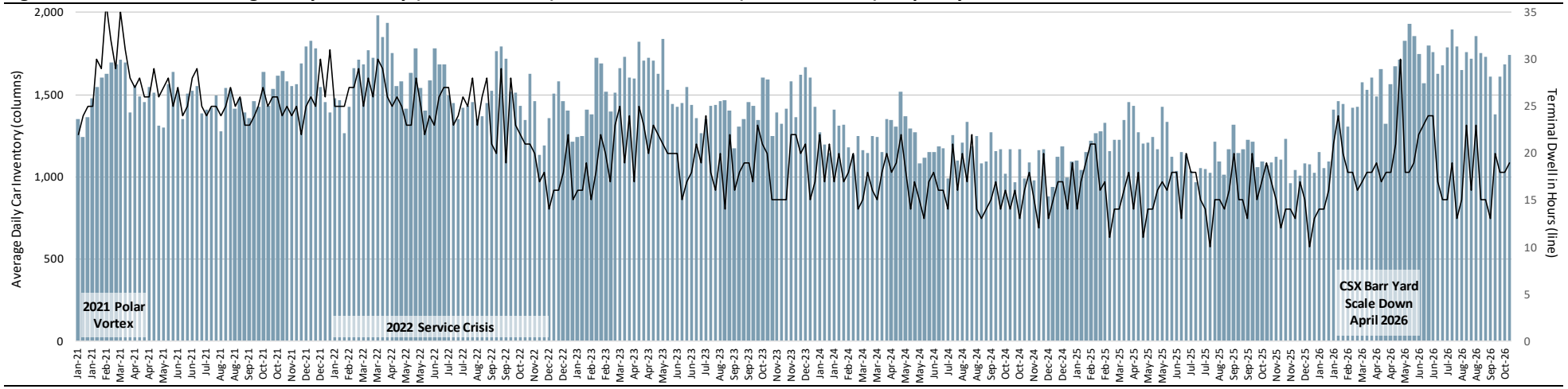


Source: STB. Average Daily Inventory is a daily count of the cars within the yard. Dwell excludes run-through trains, which is a different definition of dwell versus the metrics on CN's website. Run-through trains typically only stop for three or four hours to refuel or change crews; no car switching takes place.

Blue Island Yard (Indiana Harbor Belt)

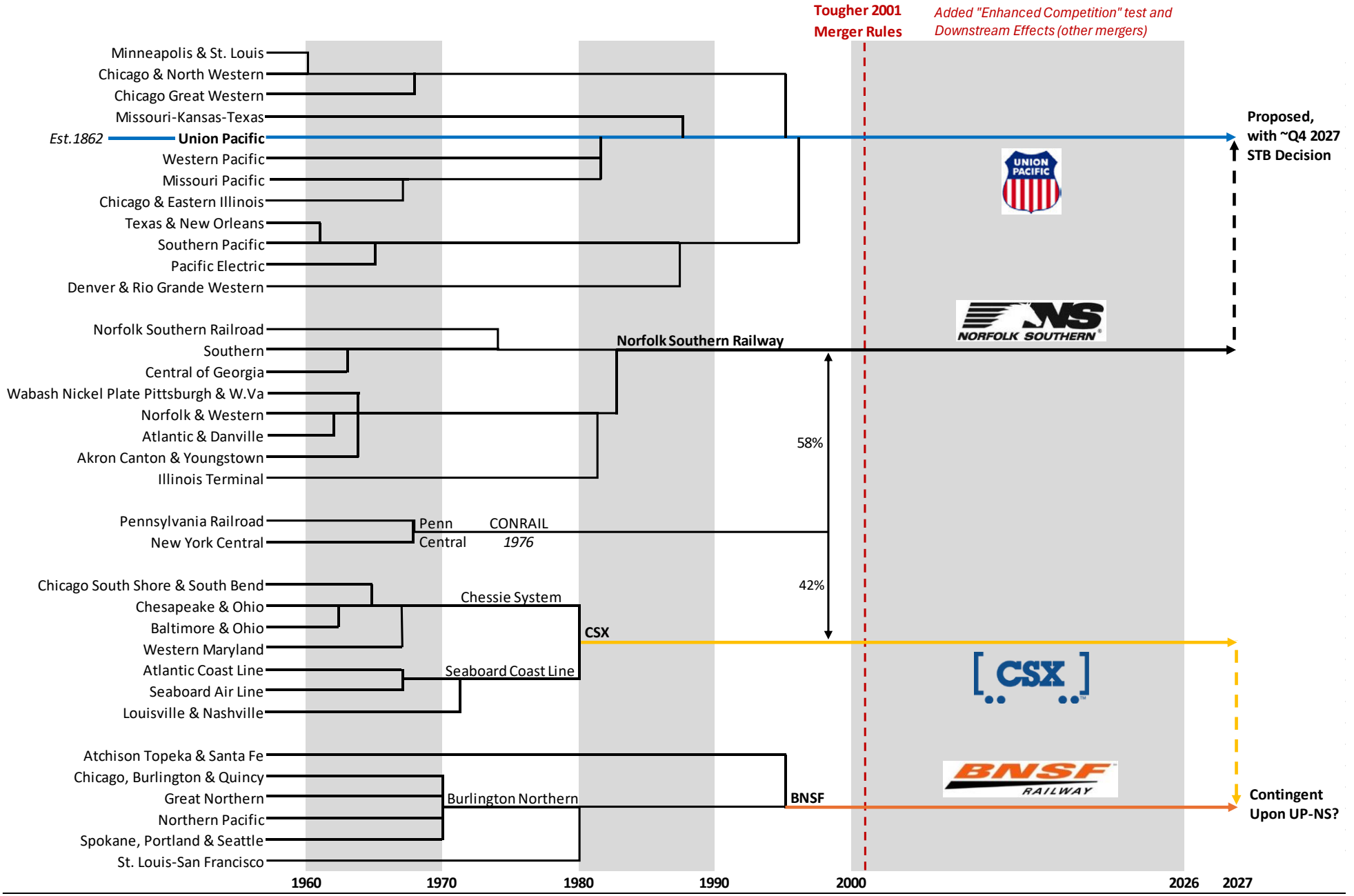
Located south of the city in Riverdale, Illinois. Note the increase in inventory from April 2026 when CSX scaled down activities at Barr Yard, but other IHB strategic initiatives pulled traffic from several Class I's and drove growth on the IHB and through this yard. Yard dwell added an hour to 19 hours in the week ending October 16, while car inventory increased from 1,686 to 1,739.

Figure 47: Blue Island Average Daily Inventory (lower is better) and Terminal Dwell (lower is better). Capacity reaches Yellow Status at 2,400 cars and Red Status at 2,800



Source: STB. Average Daily Inventory is a daily count of the cars within the yard.

How Did We Get Here? Class I Lineage



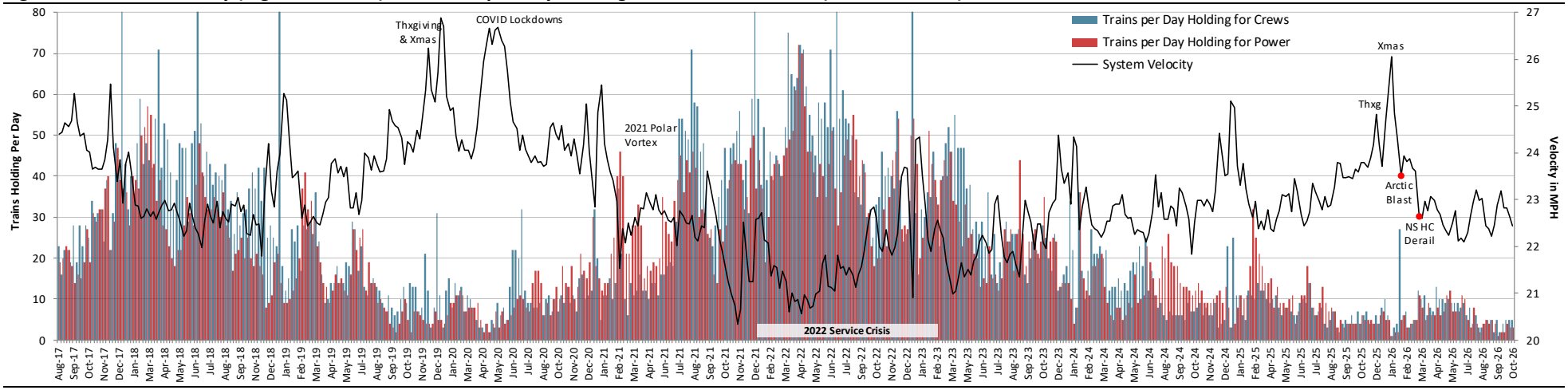
Source: Trains Magazine & Rick Paterson

Consolidated Union Pacific + Norfolk Southern

Network Velocity and Trains Holding for Crews and Power

In case you're curious, here are the key operating metrics for Union Pacific and Norfolk Southern as if they were operating as a consolidated network. The stronger these metrics are, the easier the integration will be, assuming of course the merger is approved by the STB, which is far from certain.

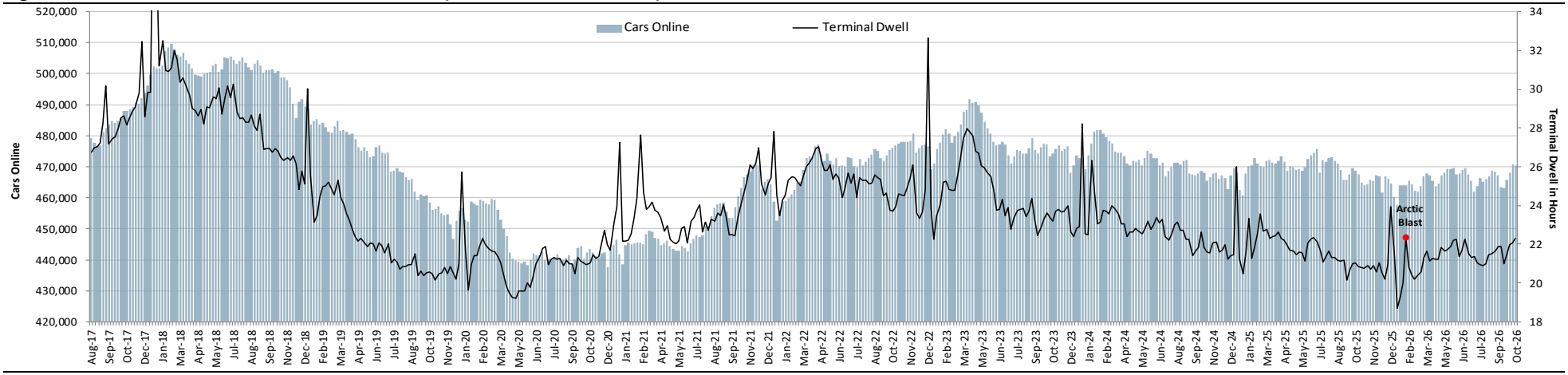
Figure 48: UP+NS Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)



Source: Union Pacific, Norfolk Southern & STB. System velocity is volume-weighted in every week; so if UP is 54% of total loads in a given week it's velocity will also be weighted 54%. Trains holding numbers are simply added together.

Terminal Dwell and Trains Holding for Other Reasons

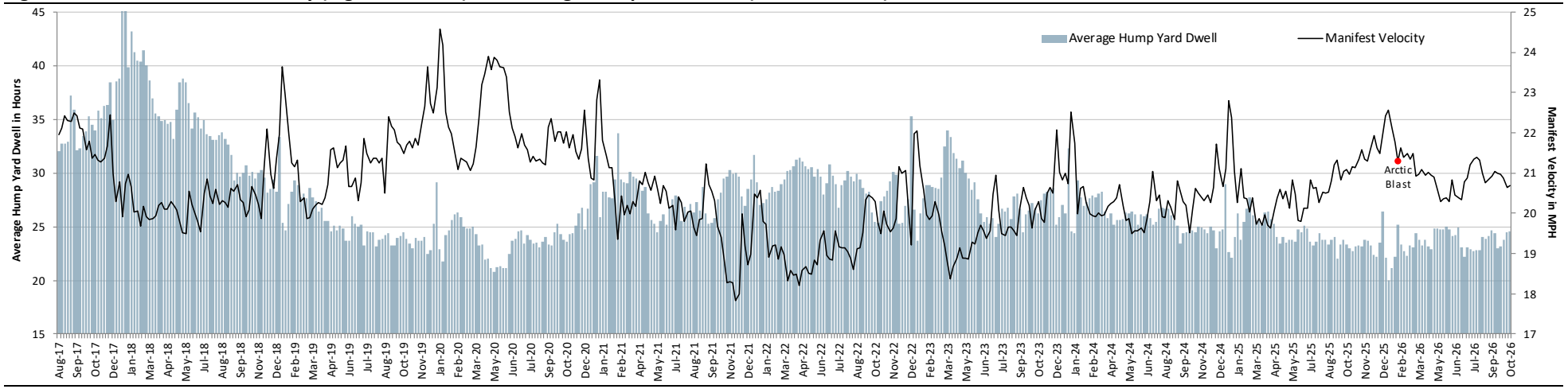
Figure 49: UP+NS Terminal Dwell and Cars Online (lower is better for both)



Source: Union Pacific, Norfolk Southern & STB. Terminal dwell is volume-weighted in every week; so if UP is 54% of total loads in a given week it's dwell will also be weighted 54% and NS 46%. Cars Online are simply added together.

Manifest Network Efficiency

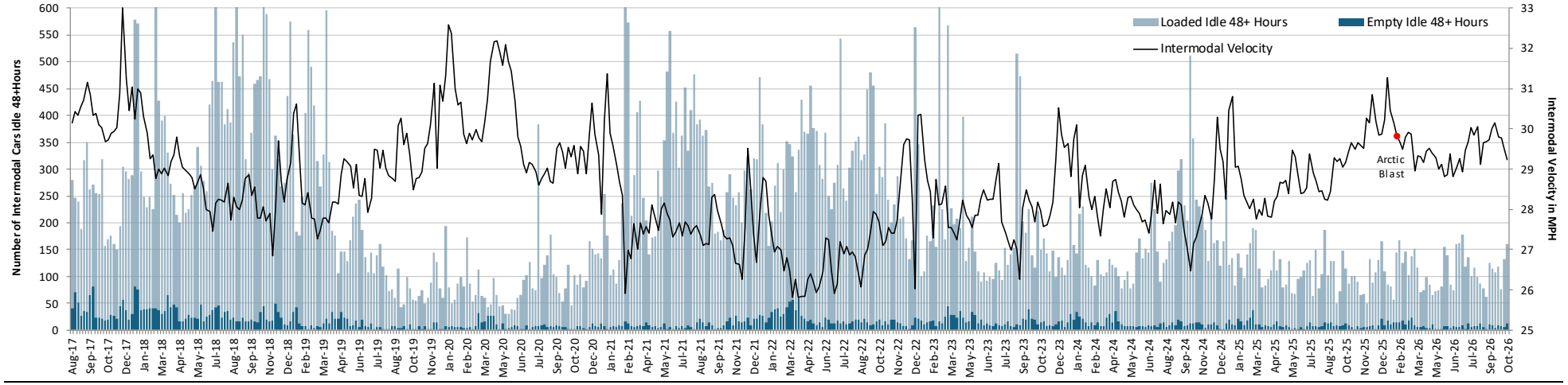
Figure 50: UP+NS Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)



Source: Union Pacific, Norfolk Southern & STB. Both metrics are volume-weighted by non-intermodal carloads. So if UP is 61% of total carloads in a given week it's manifest velocity and hump dwell will be weighted 61% and NS 39%.

Intermodal Network Efficiency

Figure 51: UP+NS Intermodal Velocity (higher is better) and the Number of Slow-to-Move Platforms (lower is better)



Source: Union Pacific, Norfolk Southern & STB. Intermodal velocity is volume-weighted by weekly intermodal loads. So if UP is 47% of total intermodal loads in a given week it's intermodal velocity will be weighted 47% and NS 53%. 48+ hours delays are added together.

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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 5

S&P Global
Market Intelligence

Union Pacific Corporation NYSE:UNP

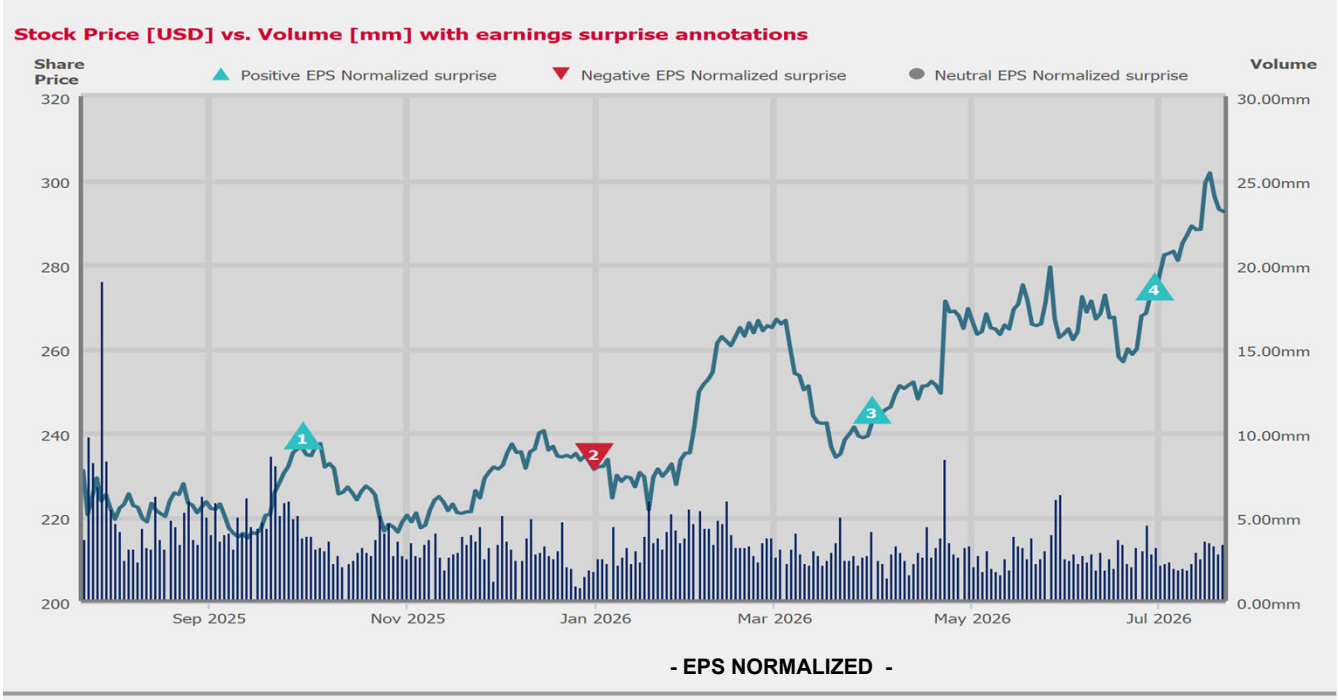
FQ2 2026 Earnings Call Transcripts

Thursday, July 23, 2026 12:45 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.23	3.41	5.57	3.37	12.75	NA
Revenue (mm)	6712.80	6864.00	2.25	6750.55	26246.12	NA

Currency: USD
Consensus as of Jul-23-2026 8:14 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	3.00	3.08	1 2.67 %
FQ4 2025	2.87	2.86	2 (0.35 %)
FQ1 2026	2.86	2.93	3 2.45 %
FQ2 2026	3.23	3.41	4 5.57 %

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Presentation

Operator

Greetings, and welcome to the Union Pacific Second Quarter 2026 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded, and the slides for today's presentation are available on Union Pacific's website.

It is now my pleasure to introduce your host, Mr. Jim Vena, Chief Executive Officer for Union Pacific. Thank you, Mr. Vena. You may begin.

Vincenzo James Vena
CEO & Director

Thank you, Rob. Really appreciate it. Listen, a pretty special day here today. Great day to be putting our results out for the second quarter. And it's my wife's birthday, so it's a double win. And she would have complained big time if this quarter wasn't good. So let me just highlight how it is moving forward. She might have been mean to me today.

So why don't we get started? Here with me today in Omaha is our Chief Financial Officer, Jennifer Hamann, our Executive Vice President of Marketing and Sales; Kenny Rocker, and our Executive Vice President of Operations, Eric Gehringer. Good day railroad out there. Weather's good, little storm coming in, but nothing we can't handle, right, Eric?

Eric J. Gehringer
Executive Vice President of Operations

Yes.

Vincenzo James Vena
CEO & Director

Perfect. Now let's review the highlights on Slide 4. This morning, we reported record financial results driven by strong execution and 2% volume growth. Net income totaled $2 billion and earnings per share after we adjust for merger costs grew to $3.41. There was a lot of in and outs as we compare our performance against last year. Fuel was a big driver of both surcharge revenue and expense this year, and we had some one-timers we called out last year. But what's really important is, when we remove all of that, we see solid core improvement in our results with growth in revenue and operating income, and we were about 10 basis points better on our operating ratio.

Now the team will walk you through the quarter in more detail, and then I'll come back and wrap it up before we go to Q&A. I'm very excited this morning on the Q&A. Looking for some great smart questions from our smart analysts, owners. We'll start with Jennifer and the second quarter financials. Jennifer?

Jennifer L. Hamann
Executive VP & CFO

All right. Thanks, Jim, and good morning, everyone. Let's begin with our second quarter income statement on Slide 6, where operating revenue of $6.9 billion increased 12% versus last year, and freight revenue also grew 12% to $6.5 billion.

Breaking down the drivers of freight revenue. Volume growth added 225 basis points. Fuel surcharge revenue added 750 basis points and increased roughly $460 million, reflecting the impact of higher year-over-year fuel prices and volume. Solid core pricing combined with business mix to drive 175 basis points of freight revenue improvement. Importantly, our quarterly pricing dollars continue to exceed inflation dollars as we compete and win business at levels that reflect the value of our rail service.

I also want to call out that second quarter business mix was a slight headwind in the quarter as growth in domestic intermodal outpaced expectations and offset the mix benefit of less international intermodal traffic. Wrapping up the top line, other revenue increased 11% to $346 million as higher volume drove increases in both subsidiary and accessorial revenue.

Turning to expense. Our appendix slides provide more detail as total operating expenses increased 13% to $4.1 billion, primarily from higher diesel fuel prices. Compensation and benefits expense improved 1% against last year's reported results, which included the final break person buyout agreement of $55 million. Excluding that agreement, second quarter cost per employee increased 7% and driven by higher wage and benefit costs.

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A key driver to offsetting wage inflation is workforce productivity, and we have delivered 8 consecutive quarters of record results. Although we're confident we'll continue that productivity trend, we now expect full year compensation per employee to increase around 6%. Fuel expense grew 63% on a 60% increase in average fuel price and 2% higher gross ton miles. Year-over-year, our price per gallon grew from $2.42 to $3.86 and added 120 basis points to our operating ratio. Purchased services and material expense increased 10% due to merger-related costs as well as higher intermodal and subsidiary expenses.

Despite increased volume, fewer operating equipment leases and record second quarter cycle times drove a 7% reduction in equipment and other rents and other expense grew 13% on higher casualty costs. Income tax expense increased 29%, reflecting last year's onetime $115 million deferred state tax benefit and higher pretax income this year, partially offset by some good news in 2026 from state taxes. Put it all together, we had a record quarter with reported earnings per share of $3.36, adjusted for merger costs, our earnings per share totaled $3.41 and operating ratio was 59.2%.

Turning to cash and returns on the balance sheet on Slide 7. Our strong financial results carried forward into cash from operations of $5.5 billion, up 21% versus last year. Free cash flow totaled $1.8 billion after we invested in our network and returned an industry-leading dividend to our shareholders. We also paid down $1.5 billion of long-term debt in the first half of the year, resulting in an adjusted debt-to-EBITDA ratio of 2.5x.

Turning to our outlook on Slide 8. We have delivered a very strong first half 2026 as we execute on our strategy and deliver improvement in safety, service and operational excellence, leading to carload growth. From that focused approach, we have generated reported earnings per share growth of 6% year-to-date, in line with our January outlook.

Looking to the remainder of the year, we are raising our 2026 outlook to reported EPS growth in the high single-digit range as we continue to efficiently move increased volume on our network. We also expect to continue delivering operating ratio improvement and maintain our position of industry leadership even against ongoing margin pressure from fuel. Fuel prices remain volatile, and our recent purchases have been over $4 a gallon. Overall, a strong first half of 2026, coupled with an improved outlook, highlight our ability to grow volumes, deliver for customers and manage costs, a strategy that delivers value for all of our stakeholders.

With that, I'll turn it over to Kenny.

Kenny G. Rocker
Executive Vice President of Marketing & Sales

Thank you, Jennifer, and good morning. We had a very strong second quarter as freight revenue grew 12% to $6.5 billion. And if you exclude fuel surcharge, grew 4% to $5.5 billion, both were best ever records.

Let's walk through the key drivers on Slide 10. Starting with our bulk segment, revenue was up 7% compared to last year on a 1% decline in volume. Grain and grain products had double-digit volume growth in the second quarter, driven by strong export demand, facility expansions and growth in renewable fuels and associated feedstocks. That resulted in record second quarter volume and revenue. Meanwhile, coal volume was challenged by weaker natural gas prices, mild weather across our served locations and customer downtime. These factors adversely impacted overall demand.

Shifting to industrial. Revenue was up 8% on a 3% increase in volume. When you exclude fuel surcharge, strong core pricing gains delivered record freight revenue and average revenue per car. Petrochemicals growth was driven by improved demand and new business. In Metals & Minerals, volumes rose on higher domestic steel production and business development wins more than offsetting the ongoing weakness in the export soda ash market.

Premium revenue for the quarter increased 21% on a 4% increase in volume and a 16% increase in average revenue per car, reflecting higher fuel surcharge, core pricing and improved business mix. Domestic Intermodal delivered its fourth consecutive record quarter in both volume and revenue. It's evident our outstanding service set the foundation to grow the business. And that's exactly what we're doing.

In the second quarter, private asset, rail asset and parcel volumes were all up double digits, benefiting from constrained truck capacity and share gains. Our buffer resources allowed us to respond quickly to increase customer demand.

International Intermodal volume was down 14% versus last year. However, we saw improvement as we closed out the quarter, driven by stronger West Coast import volumes. In automotive, results were positive despite market softness due to strong business development results.

Looking ahead on Slide 11. Grain and grain products is positioned for further second half growth driven by strong export demand, ongoing business development and new facility openings. I'm excited about AGP's new export facility that opens next week in Grays

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Harbor, Washington. We also see continued upside from growing renewable fuels and feedstock markets supported by greater policy certainty.

In coal, elevated inventory and lower natural gas prices will make for a challenging second half. We will continue to watch this market closely, but Eric and his team have proven they can quickly flex to handle shifts in volume. Business wins are also helping to offset some of the market-driven declines.

Moving to Industrial. We still see a south housing market but we remain firmly focused on winning new business and outperforming industrial production. We expect continued strength in metals, well, from industrial development efforts and increased petrochemicals from customer wins like the startup of CP Chem that I mentioned last quarter.

And wrapping up with premium, we expect domestic intermodal to continue to perform very well, supported by over-the-road conversions and our service product. International Intermodal will fully lap last year's tariff volatility in August, and we expect volume to be positive in the second half. And for automotive, we expect new business to offset market weakness. So while we're proud of the record second quarter, the team is focused on capturing the opportunities ahead. Our approach does not change. Price of the service we provide, invest for growth and keep winning new business.

And with that, I'll turn it over to Eric.

Eric J. Gehringer
Executive Vice President of Operations

Thank you, Kenny, and good morning. We delivered record second quarter operating performance, ran a fluid network and improved safety, all while handling 2% more volume. It all starts with safety, and both employee and derailment rates improve versus their respective 3-year rolling averages, highlighting the team's dedication to critical safety rule compliance and human factor prevention initiatives.

Moving to Slide 13. We provided exceptional service as freight car velocity increased 5% to 231 miles per day and set a second quarter record. Train speed increased 3% and terminal dwell improved 7% as we tied our first quarter record of 19.7 hours, our third straight quarter below 20 hours. Both the intermodal and manifest service performance indices finished at 95%, demonstrating our ability to execute on the fundamentals and effectively utilize our buffer of resources. This enabled the team to support double-digit domestic intermodal growth at very high service levels. And remember, this bar only gets harder for us as it resets based on monthly best, which we achieved in 2025. Opportunities remain to improve, and we are committed to providing consistent reliable service while growing with our customers.

Moving to Slide 14. Our key efficiency metrics reflect our commitment to operational excellence, as we delivered record workforce productivity, record train length and record fuel consumption. The team is relentlessly focused on identifying opportunities to further enhance service, productivity and efficiency across the network by first, executing on the fundamentals, then implementing new technologies and finally, investing prudently back into the railroad.

Locomotive productivity of 142 improved 1% as the average active fleet decreased 1% against 2% higher gross ton miles. We successfully onboarded incremental volume by leveraging existing train starts, demonstrating strong asset utilization and efficiency. Our fuel consumption rate improved 1% as we continue to benefit from fuel conservation initiatives and locomotive technology and modernization investments. Workforce productivity increased 5% on 2% higher volume. Our active train engine and yard workforce decreased 2%, demonstrating our discipline and remaining more than volume variable. Finally, train length grew 2% versus last year, driven by continued optimization of the transportation plan and reduced train starts.

Closing the quarter, we delivered on the fundamentals, while growing volumes and effectively serving our customers. We have the capacity to grow while continuing to improve safety and service. As Kenny's outlook has improved, we've been agile and reexamined our base resources and buffer, aligning both to support growth. We are also continuing to make strategic capacity investments, including the Houston complex, Pacific Northwest siding extensions and sunset double track projects. The operating team is demonstrating daily that we are ready to grow with our customers while delivering the service we sold them.

With that, I'll turn it back over to Jim.

Vincenzo James Vena
CEO & Director

Thank you, Eric, Kenny, Jennifer. Why don't we turn to Slide 16. Before we get to your questions, I'd like to quickly summarize what you've heard and provide an update on our merger with Norfolk Southern. As the team walked through, we had a very strong second

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quarter as volumes, pricing and operational efficiency drove record financial results. The network continues to be very fluid and our buffer of resources is supporting broad-based growth.

Looking ahead, we are prepared to meet increased customer demand with best-in-class safety, service and operational excellence.

For our 2026 outlook, we are raising to full year reported EPS growth in the high single-digit range. As to the status of our merger with Norfolk Southern, first, we met a very important milestone and the Surface Transportation Board accepted our application as complete on May 28. And on Monday, we will meet another important milestone when we complete the supplemental information asked from the Board. As you'll see when you read it, we've carefully answered each of the Board's questions. We also -- we've also taken the opportunity to further improve the competitive nature of our merger through an expansion of committed gateway pricing among several other voluntary commitments. This is in addition to the merger benefits of seamless single-line service better reliability, lower cost and greater competition against trucks and other railroads.

Also, yesterday, we announced that we reached a merger settlement agreement with the railroad I used to work for, Canadian National. I said from day 1 that our merger will create a stronger rail road industry that delivers better service for customers. Our agreement with CN, Canadian National reinforces those commitments. Our merger is unprecedented and deserves a careful review. We've done our homework now versus almost when we first announced our plans to merge, we have even more conviction that our transaction is in the public interest and will deliver benefits for our stakeholders, especially our customers. The case for our transcontinental railroad is clear, and we're ready to go.
With that, Rob, we're ready to take questions.

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Question and Answer

Operator

[Operator Instructions] And the first question is from the line of Ken Hoexter with Bank of America.

Kenneth Scott Hoexter
BofA Securities, Research Division

I guess a 2-parter. One, a little confusion on the $0.14 fuel gain. Is that just all upside from fuel and the pricing? Maybe if, Jen, you could just delve into that a little bit? And then if you can expand on the commercial agreement with CN, the access to the EJ&E, maybe talk about what that gives you and what you're giving up on the network down south?

Vincenzo James Vena
CEO & Director

Jennifer, why don't you?

Jennifer L. Hamann
Executive VP & CFO

Yes, Ken, on the fuel piece, we were just calling out the fact that it did have the 120 basis point headwind to our operating ratio mathematically. But then when you look at the difference between expense and surcharge, the benefit there was the $0.14.

Vincenzo James Vena
CEO & Director

Okay. And on the Canadian National announcement yesterday, it was in 2 parts. The one part was something that we knew that we wanted to make sure, and we said it right from the start and when we looked at with the merger that we needed to do something. And we told the Surface Transportation Board twice that we never wanted to take control and get over 50%, in fact, we called meetings at the TRRA and the other railroads didn't show up. But at the end of the day, the nice part about the deal is that clears that up as far as ownership, the Kansas City terminal and TRRA. It also allows Canadian National to come over between St. Louis, just east of St. Louis, the Kansas City and give optionality to the customers in area because we would have ended up with the 2 rail lines that we use in directional, and we would have had another one. So we thought it was prudent for us not to be too concentrated.

Ken, that was the only part of the company where we have a significant overlap, and that was a pretty small area when you take a look at the entire railroad. So with Canadian National, we've got an MOU that takes care of that. And then we also talked about -- and it goes with our commitment to keep every gateway open. And Canadian National says, listen, can we figure out a way to get into Mexico to be able to move traffic and use -- we could still use Chicago if we wanted to, but we want to be clear that we could use a priority location that they find better to be able to have access in the Mexico, and we worked out a deal. And for that, we said, listen, we want better access through Chicago, east, west. And sometimes people look at things in the short term, et cetera, long term, and they don't understand.

Listen, I've worked in Chicago and I worked at Canadian National, where it took us longer to get a train from the north side of Chicago to the south side of Chicago where our terminal was than it did to run it from Prince Rupert to the northern part of Chicago. So any time a railroad can figure out a way to be able to run much more seamless east west to make interchange connections or run-through trains. That's what we've done. It's a win-win. It's a win for Union Pacific. And it's also a great position for Canadian National. I think it's a deal that is going to help both of us be able to increase traffic from both of us because of what we're able to take off the roads and move more of that on the rail. So Ken, maybe you didn't want that much detail, but I just gave it to you, okay?

Operator

Our next question is from the line of Chris Wetherbee with Wells Fargo.

Christian F. Wetherbee
Wells Fargo Securities, LLC, Research Division

So maybe sticking on that topic, I guess I just wanted to kind of see if you could expand a little bit on how you think this plays out both from like a revenue synergy perspective. I think there's initially an initial thought in the initial merger agreement, there was some

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concessions baked in several hundred million dollars of potential concession. So maybe thinking about this agreement that you've constructed and how it may influence some of the revenue synergies and concession numbers?

And then maybe a bigger picture, is this the first of what could be multiple of these types of arrangements? I guess how do you feel about the receptivity of the rest of the rail industry? This is a big move coming from potential opposition to agreement to get on board with the deal. Just want to get a sense of how you see the landscape right now.

Vincenzo James Vena
CEO & Director

Yes. Listen Chris, I won't get into too much detail of some other discussions we've had. But I'll tell you that if people are reasonable, we are more than willing to come and this one is a reasonable expansion for Canadian National, and it's great for Union Pacific. As far as the impact, listen, we knew we were going to have to do that. We see this as for both of us a growth story, not a limiting factor on business. So this will not impact what we're doing. Remember, we're still going to have to have them operate on our railroad to get to Mexico. So it's not like -- and what it does is it makes them much more competitive against the Canadian Pacific, Kansas City. So they're able to originate out of Canada and compete head on and sell a direct link. And we see that as them being able to grow more business and not be less and that we should be able to get more revenue on trackage or whatever else that we do and how we finalize the deal. So it's a real positive, Chris.

Jennifer L. Hamann
Executive VP & CFO

Yes. And I would just say a big part of it, which is addressing the 3 to 2, 2 to 1 as well as access into Kansas City was all part of what we knew we were probably going to have to do something to address that. So all part of our thinking.

Operator

The next question is from the line of Walter Spracklin with RBC.

Walter Noel Spracklin
RBC Capital Markets, Research Division

And I know, Jim, as you mentioned you worked a lot on the EJ&E when -- certainly when we first met and some of the loop arounds and efficiencies you get and as you translate into the TransCon solution is quite compelling. Curious if whether when you were talking to CN, does this open the avenue now for more cooperation with CN? Or is this something, okay, we've addressed this now with CN, let's move on to any of the other railroads? Just curious whether you're seeing this as, okay, that's 1 player we've addressed and now we move on? Or is there avenue for further opportunities with CN that might have come up in the conversations?

Vincenzo James Vena
CEO & Director

So listen, let's start with fundamentally. We would have never been able to get to this kind of deal with Canadian National if it wasn't because of going through the merger, okay? So that's the problem with people. Anybody thinking that it's easy to make a deal with another railroad or another company is Walter, pretty tough, okay? So it was the merger that drove this, and it was something that helped us and helped Canadian National, it truly is a win-win. I'm not sure what the next step is, okay? I really don't.

Would I like to make -- the problem we have is because we do not have a whole bunch of overlap. We've basically dealt with our 2 to 1 and 3 to 2 customers even, there isn't a lot else that we need to give up. Like what is it that you give, you give access to somebody around Nashville. Well, we'd like access to different part -- to Florida, further South in Jacksonville. So at the end of the day, it's going to be difficult, but we're always open to have discussions. We really are. And if something happens, and I love our relationship with Canadian National, but I'll tell you, they don't give me any difference because I know their railroad. I'll be honest. They're tough negotiators, son of a gun, okay? I was hoping I didn't have to give them that much access into Mexico. But at the end of the day, they're tough negotiators. They're smart. But I like that. That's what you want, Walter, is just to be able to move the deal forward together.

And if there's other things that we can figure out how to do, we'll do that. We really will. But I don't see a whole bunch of things that are sitting on the platter. And Walter, because I think you've met my wife, you know I'm -- I would never take her out for a burger, okay? Sometimes like having a joke, like the chance of me having a marriage for 43 years like I have or 44 years and take her out for a burger for a birthday, that would not work out good, okay?

Walter Noel Spracklin

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RBC Capital Markets, Research Division

McDonald's is not on the menu. Got it.

Vincenzo James Vena
CEO & Director

We're in Omaha. It should be like a nice stake from Omaha. I'm telling you. A nice from a farm out in Iowa or Nebraska, I'm looking forward to it tonight.

Operator

The next question is from the line of Jonathan Chappell with Evercore ISI.

Jonathan B. Chappell
Evercore ISI Institutional Equities, Research Division

Jennifer, shifting gears away from the merger for a second. You raised the EPS guide versus 3 months ago while also raising the outlook for your most important cost line item with the cost per employee. So can you help us kind of solve them for where the majority of the upside is coming from? Is that volumes running better than expected? Is it surcharge tailwind benefiting more than you thought in 2H, more productivity and other line items? How do we kind of rectify those 2 changes?

Jennifer L. Hamann
Executive VP & CFO

Yes. I mean I think you kind of answered your own question there a little bit, Jonathan. It really is a number of different things. Certainly, when you hear Kenny talk and look at his outlook in terms of how the business is performing and what we see the opportunity for the second half of the year, it's stronger than we thought it was coming into the year, which is great news, and we feel very bullish about that. And then you see how Eric and his team are handling that increased volume.

Doing it very efficiently in a very cost-efficient manner and giving a great service product to support our customers as they're growing their business. So it's all of those things, and we feel great about it. It's a great setup for the first half and looking forward to a strong second half.

Operator

The next question is from the line of David Vernon with Bernstein.

David Scott Vernon
Bernstein Institutional Services LLC, Research Division

So I'm going to try to squeeze 2 into here because you guys are quick on the next question, Mike. The first question is really around the outlook for the second half. Kenny, you sound pretty positive about everything except coal, which sounds like a throwback to the last decade. I wanted to ask if you're seeing any sort of broadening of industrial demand outside of anything related to sort of data center construction, anything that you're seeing in the economic tealeaves that would tell you that we are starting to see some broader industrial recovery kind of building up?

And then the second question would be around the Falcon service, right? So how does this agreement sort of change that? Or is CN going to be running some of its own trains? Like how does -- or is that totally separate from what you guys announced today?

Kenny G. Rocker
Executive Vice President of Marketing & Sales

Yes. So the first question, we look at car orders, and we're at 100% fulfilling those. And those are up slightly. And so yes, if you look at it broadly -- if you look at the car orders, and I'm talking across the board, there is some slight uptick that's there. You're also seeing that in the momentum that we talked about. On the industrial side, that's largely a lot of our Carlyle business, where we've had record average revenue per car, candidly, a record revenue that's there. So that's encouraging to us as we move and turn into the second half.

And then there are some things that we're doing to make our life a lot better. So you look at grain and grain products. We've got a few more facilities that are coming online, some that are export, some that are domestic, automotive is not a great overall macro area, but we won new business to go out and compete in that area. So a little bit of a macro bump on the industrial side, but also we're balancing that and supplementing that by winning new business.

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I think the second question was around the Falcon. Our Falcon product with CN is going well. The service product is strong. Eric, you've really helped us on and see in there. So as we look at Mexico again, and you can see the numbers in Mexico, we've done well in Mexico, and we see that occurring as we go through.

Vincenzo James Vena
CEO & Director

Kenny, sorry for interrupting you. You guys should talk about -- we talked about open gateways and the Balkan was through Chicago, but we have no problem with making sure that the other railroads come to our network and move the way that customers want it to move.

Eric J. Gehringer
Executive Vice President of Operations

So when we think about the Falcon, it is independent of this. And to Jim's point, our commitment as part of the merger, which has remained unchanged and will remain unchanged is full access to all the active interchange points. And when some people think about that, they underestimate when I say interchange points, they think of places like Chicago and New Orleans, which are obviously incredibly important to us and all the other railroads, but just remember that every single day, there's 260 interchange points across the Union Pacific network as we sit here today. So we're really committing to that 260 open interchanges just like they were yesterday, just like they were a month ago, and that's going to remain that because to Jim's point, our partnerships with all of the railroads are incredibly important. When you consider 40% of our volume every day is interchange to another railroad or received by us from another railroad.

Operator

Our next question is from the line of Stephanie Moore with Jefferies.

Stephanie Lynn Benjamin Moore
Jefferies LLC, Research Division

I guess I wanted to maybe ask a bigger picture question here for whoever on the team would like it. But I wanted to ask a little bit about just maybe the industrialization theme that we're seeing across the U.S. and maybe that means a bit more domestic manufacturing and maybe less imports coming on to the West Coast. So can you maybe frame how you think the network is positioned to handle what could be a pretty big medium-term theme here over the next 5, 10 years?

Vincenzo James Vena
CEO & Director

So Kenny, why don't you talk about what you see with all the construction, different products, hot markets, cooler markets real quick. And then Eric talk about the railroad and how it is.

Kenny G. Rocker
Executive Vice President of Marketing & Sales

Yes. Stephanie, you're really asking about what we call our industrial development area where we're either expanding at a plant or locating a new customer on our network, and that pipeline has remained strong. And we've seen a lot of new customers come on to our network. I talked about AGP, which is a grain customer. But then we've also seen it with Hyundai Steel that's bringing on new production here in the U.S. into the Gulf. That pipeline is strong, and we see it show up in other areas.

Someone talked a little bit earlier about the data centers, but we're seeing really good strength really good pipeline. We're converting that at a great rate. We're seeing a robust number of RFI, I mean, in our opportunity to compete in that area. And so we're bullish, and we're excited about that. We've been able to convert on that.

Eric J. Gehringer
Executive Vice President of Operations

And then Stephanie, as far as the railroad's ability to handle it, we are and we remain poised to be able to handle that growth. You saw that a couple of examples here recently. You go back to last year with a 33% increase in international intermodal, and we handled it. We handled it well.

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Then you look at what's happened in the domestic intermodal market, which credit to Kenny and his team have done a great job bringing that growth to our railroad. And you've seen us handle that exceptionally well, especially when you see 5% increases on car velocity in a period of the year where historically, no matter how many years you go back, we actually would degrade by about 15 to 20 miles per day. But 50 days into the summer, we haven't had any degradation, and we don't plan to have any degradation.

Now that really tells you that the fundamentals of the railroad is strong. Every single metric I gave this quarter, last quarter, the quarter before that indicate that we're not only strong, but we continue to make more progress.

Now on the capacity side, to be able to handle that and you used examples like the West Coast and Mexico, think about what we've been doing, and this is not a new thing. We've always invested in our capital and invested that into the railroad prudently. So whether you're thinking about the more than $125 million we've invested in our Houston complex, whether you think about our continued work to finish double-tracking the Sunset route from Yuma all the way to Tucson so that we're actually double track all the way to El Paso. And even on the bulk side and the manifest side, when you think about our siding construction projects and siding extension projects up in the Pacific Northwest and across Iowa, we are poised.

We'll continue to be poised, and we'll continue to maintain a buffer so that when unexpected growth comes because of all of Kenny's team's hard work, we can bring it on to the railroad with an immediate yes to our customer.

Jennifer L. Hamann
Executive VP & CFO

Yes. And just one last thing to add there, Stephanie. So you've heard us talk about our pipeline of industrial projects where you're -- and Kenny mentioned the RFIs. We've got about 200 of those in the pipeline today. It's a very strong pipeline. So we feel very bullish about our opportunity to continue to grow there.

Operator

The next question is from the line of Tom Wadewitz with UBS.

Thomas Richard Wadewitz
UBS Investment Bank, Research Division

Congratulations on this deal with CN. That seems like a really nice step forward for you in terms of making the case with STB. I wanted to ask you just for a little more kind of understanding on how you would view that deal. So can you give us any kind of framing of, let's say, 3 to 2, 2 to 1 customers, when you consider the customers on St. Louis to Kansas City or in St. Louis area that or getting access to, how large is that group? Is that like 5 customer facilities? Is that like 50? Is there any way to kind of frame that?

And then I guess the other component would just be their access to your line on Memphis to Eagle Pass. Would you expect CN to compete with you on business to and from Mexico? Or is that like, "Hey, this is going to really enable them to compete with CP on business, it's more like, call it, Eastern Canada to Mexico." Just want to see if you could give us a little bit more perspective on kind of the -- how meaningful it is and how you think it affects the competition?

Vincenzo James Vena
CEO & Director

Okay. The new deal is Canada and to Mexico. So it's not competitive with us. It's good for both of us and allows them to sell it. Second is, as far as the number of 3 to 2 and 2 to 1, it's in the application, Tom. It's absolutely a small number, less than out of the thousands of customers we have, we're talking about a couple of handfuls. If that, Jennifer, what's the exact number? I don't want to put the wrong number out because it's been a brick and moving...

Jennifer L. Hamann
Executive VP & CFO

Yes. The 2:1 is 3 or 4 and the 3:2, I think, is low 30s. Right.

Vincenzo James Vena
CEO & Director

So that's it. So out of all our customers. And we said that we would fix the 2:1, and we have a remedy even for the 3:2s, which truly is -- let's get serious. If somebody has 2 plus a truck or 2, they should be competitive. But we want to make sure that there's no question about leaving every optionality that people have. Tom, I'll take exception to one thing on yours. It's pretty straightforward. This

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merger doesn't need a lot of help, okay? And I've been pretty adamant about this. And what people are missing is when you give customers a seamless single point railroad that can move things a larger -- longer distance that is automatically makes the thing less expensive for the customer and more competitive against any other product that's out there.

So people want to make noise about whether we need to help this. I think the CN deal, the Canadian National deal is great for both of us with EJ&E and Mexico and then within the piece, but we're talking a small number of customers. This is a growth deal. We see taking trucks off the road to go across the U.S. faster and take things that are right now going through cities and less fuel-efficient, more greenhouse gas, impacting roads that, of course, everybody knows trucks do not pay their full share of the construction and capital costs on the interstate system while we pay for all ours, but we want to put them on our railroad.

So this is truly more compelling today than we looked at it than ever before. And you can see because it only touches -- think about that, less than 10 customers go 2 to 1. This is truly an end-to-end that wins. We think we have a strong case. People, they can write stories that aren't factual. Can say whatever they want, the facts are pretty clear. So got me going a little bit this morning.

Thomas Richard Wadewitz
UBS Investment Bank, Research Division

Tim, do you think you get a shipper agreement as well? Are you optimistic on that?

Vincenzo James Vena
CEO & Director

Sorry, you broke up on one piece. What did he say?

Thomas Richard Wadewitz
UBS Investment Bank, Research Division

No, I'm just I'm saying like -- yes, you got to see agreement with CN, do you think it'll announce some kind of big shipper agreements as well or maybe not for a while?

Vincenzo James Vena
CEO & Director

Listen, we talk to our customers all the day, and we have set a number of customers that -- and -- how do we move ahead? How do we make sure that they understand how it is and how they can win in the marketplace. So yes, we're not going to announce them because they're private deals. But at the end of the day, absolutely, we've been talking to a lot of customers.

I sent the letter to our top 50 customers saying, if you have any questions about the business that we're doing together, and I sent it to the CEOs. Here's my phone number. Give me a call of text me, and we'll get the teams together to go through detail so you understand what the benefits are. I had a meeting on Monday with one of the big shippers here in the Midwest. And they're not going to come out and he told me black and white. He says, listen, I'm not going to come out to support it because -- the other people have not -- worry about what they might say and do if I do. But at the end of the day, says, I see the advantage. If we're moving pulse products from the Southeast U.S. to the west, which they are, they would -- they see the seamless. So customers, absolutely. And thanks for the question, it got me to fill in all the gaps of what I haven't been able to say this morning. So I appreciate it.

Operator

Next question is from the line of Brian Ossenbeck with JPMorgan.

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

Maybe just one real quick for Jennifer then a couple for Jim. Jennifer, the comp per head up 6%. I mean, typically, you have good visibility on that to start the year. It continues to move up a bit. Just wanted to see what the driver was for that?

And then, Jim, you mentioned or hinted that there'll be some, I guess, improvements expanding of the CGP and a couple of other, I guess, voluntary enhancements, if you're going to call them that, that we'll see on Monday. I wanted to see if you could get a little bit more granular on that, give us a little bit of a preview of what to expect. And then, of course, had a couple of decisions out yesterday. One that was interesting, just the trackage rights, the reciprocal switching with UP going back to Lake Charles. Is that anything that you think sets the precedent as you start to work towards the merits review of the transaction on the merits?

Vincenzo James Vena

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CEO & Director

So real quick on the STB, listen, I think they were very prudent when they came out with the decisions. And basically, they just said the that there are certain things that were in place that just make sense. And you can't just automatically ask for access for nothing on somebody else's property. It would be like somebody setting up a coffee shop and go into Starbucks and saying, I want to set up a coffee shop in Starbucks because I drove by the place. That doesn't make a particle of sense, and that's what the STB said. So we're very happy.

Now are we happy with every decision? No. They want us to put out detailed information on employees. And you think about we're going -- we've given it that every law firm that covers every person that might want to comment on this deal. So at the end of the day, are we happy with that one? I'm not because it impacts people's lives. And I always worry about that and how it impacts our employees. But overall, I think it's a clear win for Union Pacific that our position was correct in how things were done with the 3 cases. So on that, that's where I am with it. Jennifer?

Jennifer L. Hamann
Executive VP & CFO

Yes. On the comp per employee piece, Brian, it really is wage inflation and benefits. So really, the part that's been a little bit hotter than we were expecting coming into the year is on the health and welfare side. You're right. The wage inflation is known. Just as a reminder, we had the 4% for the first half of the year and effective July 1, we now have 75% increase in terms of the unionized wages. So good healthy increases there. And that's where we're just running a little bit hot.

Vincenzo James Vena
CEO & Director

So per employee, we're up, but how is the productivity remind everybody.

Eric J. Gehringer
Executive Vice President of Operations

Yes, absolutely. So when you think about some of the numbers that I reported in my prepared comments, they start to give you some perspective, but I have the benefit to be able to peel that back and see at the ground level exactly what's happening. And so to Jennifer's point, while we are running hot on that, we've seen continued progress on the productivity side. You don't grow train length to almost 9,900 feet by chance. If you think about it, not that long ago, we were at 7,500 feet. So our 2% gain is on a very large gain over the last 5 years, and we don't see a stop to that. I often get asked, can you make it to 10,000 feet. We got the team here at Union Pacific that takes challenges like that very seriously and looks for safe opportunities for us to be able to do that.

Now when you look down even deeper into our terminals and you look at line of road with our wage increases, right, our challenge that we take on every year, we focus on every quarter, every week, is to offset as much wage inflation as possible. And you can see how we've done that. You can see that when you're increasing car velocity and you're running at 231 miles per day, you're dropping your recrew rate to 4.5%. We did that in the quarter. That's 2 whole points better than it was last year. And I can go on and on. Terminal dwell being down 7%, run through dwell down being down 8%.

It's all those things that our team in the operating department with the support of the rest of the company do every single day, and I could not be more proud of them, mostly because they're perpetually dissatisfied, always looking for more opportunities and we're going to offset as much inflation as we possibly can. And our track record demonstrates we do that quite well.

Vincenzo James Vena
CEO & Director

You know what, you had a third question in there sorry, a subpart. What was the third part?

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

Yes, I think just to give us all a preview of what to expect on the supplemental because it sounds like there might be a couple of additional things you went above and beyond the initial list.

Vincenzo James Vena
CEO & Director

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I was hoping you forgot that piece, okay, when I asked you, but bottom line is, there's a whole bunch of detail in there. What the expansion does is we actually -- we went out and talked to our customers, and the feedback we received was, would you guys examine, and we went to detail with a lot of them to say, listen, it will help us being able to just because -- and I've always talked about distances is your enemy, if you try to route things the wrong way.

So the bottom line is, when we went through that, we'll see it in the application. We've expanded it because of what our customers gave us a feedback. Again, we don't see that as a negative because the more you can open up some of those things to make sure the optionality is there, we get more business out of it. And it's about growth. So Eric, I thought Eric was going to give you a real quick -- our productivity was again great, but he decided to show you the whole railroad. I love it. He's starting to sound more like me, okay? Pretty soon, Eric, I don't even have to come on these calls.

Between you and Kenny and Jennifer, you guys have got it. But -- so that's where we are. You'll have to wait until Monday, okay? I can't let the whole cat out of the bag.

Operator

The next question is from the line of Jason Seidl with TD Cowen.

Jason H. Seidl
TD Cowen, Research Division

Congrats on a good quarter here. I wanted to focus on 2 different things. One, I guess, I want to talk to Eric a little bit about operations. You guys doing a great job out there. How much ability do you have to take on additional freight without sort of adding much in the way of head count or other expenses, particularly on the intermodal side for both the near term and also sort of the longer term as you look at some of your forecasts that are out there for the deal? And then I guess for Kenny, how should we think about pricing on intermodal as it flows through your network for the remainder of the year in '27?

Eric J. Gehringer
Executive Vice President of Operations

All right. So let me start. So you asked the question in the context of the merger. When we put in our application, we said that there would be an incremental increase in our union employees to be able to handle the revenue synergies that Kenny and the team have identified with the help of Norfolk Southern. But don't be surprised by the fact that when we look at that, we didn't start in that place. You start from the place of -- we know our transportation plan, and we know our network and Norfolk Southern knows their transportation plan and their network and you look first for where do you have latent capacity within your existing train starts.

Now you've seen our history over the last 4 to 5 years, we've done an exceptional job of being able to utilize latent capacity. So you always want to look there first. From there, we then overlay the new volume that's coming on to the railroad, and we have to add some train starts. Now we've been clear with that, and it's in the application that those train starts involve trains that are going to go from L.A., generally speaking, from L.A. to Chicago, I'm not...

Vincenzo James Vena
CEO & Director

Sort of give him a high level. I want the other railroads to listen...

Eric J. Gehringer
Executive Vice President of Operations

I know Jason, he's afraid I'm giving away the secret recipe. That sauce is our people. And we will make sure that we have the appropriate number of people to make sure we run the railroad but also do it in a volume variable way.

Jennifer L. Hamann
Executive VP & CFO

And that last person part is you're not going to see people grow at the same level.

Vincenzo James Vena
CEO & Director

Listen, Eric, I love it. But son of a gun, I thought you were getting pretty soon you were going to say how we start people, what our terminal time is and how we got that...

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Eric J. Gehringer
Executive Vice President of Operations

I'm not giving that.

Vincenzo James Vena
CEO & Director

Would you stop for God's sake. Kenny, Eric...

Jason H. Seidl
TD Cowen, Research Division

All to me, that's fine.

Kenny G. Rocker
Executive Vice President of Marketing & Sales

So I'll tell you, Jason, we're coming from a position of strong momentum. You heard me talk about the fourth consecutive quarter of record volume. So we already have that momentum. And Eric just talked about it. He's given us a strong service product that we sell. And because we're moving boxes faster, we're talking to customers about price when you're doing that and BCOs want to align with us because of that. So as we're able to quote these new rates, as the private asset folks are able to quote new rates at IMCs, we are getting a little bit more price uplift as we move throughout the year.

Obviously, the biggest opportunity for us will be as we enter into the next bid season, but we're pulling more containers out of the storage. Our private asset folks are doing the same thing. And on these spot moves, it's a small percentage of our business, but we are getting some of that price uplift now, but the big apple is once we get into the next bid season.

Vincenzo James Vena
CEO & Director

Okay. Thank you very much. Good question. If maybe the rest of the people are on, I want to answer everybody's question, but we're going to try to be real fast because I do not want to overlap with Norfolk Southern who's coming on here at the top of the hour. So if we could ask the question, you might not get as long an answer. Ask me any and the team any yes and no, we'll be quick and where we go.

Operator

The next question is from the line of Ari Rosa with Citi Group.

Ariel Luis Rosa
Citigroup Inc., Research Division

I'll give you a yes or no question. Just was there any discussion with the STB prior to reaching the agreement with CN? And to the extent you can give any color around kind of how it came together, whether it was you approaching CN or the other way around, it would be appreciated.

Vincenzo James Vena
CEO & Director

The answer is no with the STB and I don't know who made the first call, probably was me.

Operator

The next question is from the line of Brandon Oglenski with Barclays.

Brandon Robert Oglenski
Barclays Bank PLC, Research Division

Sorry, I haven't been on the full call here. So maybe I'm being redundant with my question, too, so you can just tell me to shut up. But in the world where truck availability and spot rates are so volatile, up like 50% in the last 6 or 9 months. I mean, doesn't this just embolden the case for transcontinental rail mergers. And I mean, congratulations on the deal CN, do you need to do more like that as well just win over more hearts and minds here. And maybe that's where it is like -- is this going to close, Jim.

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Vincenzo James Vena
CEO & Director

This is going to -- the merger is going to close. It's just too compelling for the country. It would be a mistake for this deal not to close. We would be harming. Canada goes across the entire country, and there's a reason why they haven't applied to the Canadian equivalent to the STB to split their railroad up there, both of them because it doesn't make a particle a sense that hurts customers, hurts the country. So this deal will close, and it will close with limited impact just because it's an end-to-end. So -- and yes, as far as I'm concerned, it's -- if there's something else with other people, we'll move ahead. Anything else I missed.

Operator

Our next question is from the line of Jordan Alliger with Goldman Sachs.

Jordan Robert Alliger
Goldman Sachs Group, Inc., Research Division

I know there's a lot of moving parts on the yield front between fuel and mix and core price. But is there a way you could maybe give some thoughts at least on how you're thinking about revenue per carload, whether it be the third quarter or the second half, taking into context core price mix and the fuel impact volatile as it may be?

Vincenzo James Vena
CEO & Director

So let me start and then Kenny real quick talk about ex fuel the way we look at it, too, and just give an idea because we don't always split everything up particularly. Put it this way. If you remove all the noise, we actually had a 58% operating ratio, okay? So that tells you fundamentally who we are and what we're doing. We don't -- we like to -- we absolutely report the way we're supposed to report. But if you remove the noise from those things that are -- because fuel is an impact of 120 basis points. So you take that away from our reported, we're at 58%. So the rail road is good. Kenny, second piece?

Kenny G. Rocker
Executive Vice President of Marketing & Sales

Yes, we do look at revenue ex fuel. And let me just leave with the fact that on the service and Eric on our carload business is the SBI has oscillated between 95 and 100 depending on where it is, and we price according to that. Most times, this shows up in average revenue per car. I talked a little bit about that depending on the mix. But we're going to -- with the service that we're providing, the investments that we're making with the market where it is and the truck prices where they are, we're going to make sure that we're pricing to that value proposition.

Jennifer L. Hamann
Executive VP & CFO

Yes. Just one quick comment on mix, though, Jordan. So as you heard me say, it was a little bit of a headwind for us in the second quarter. That surprised us a little bit just because of how strong domestic intermodal came on in the back half of the quarter. As we look then to the second half with domestic intermodal likely staying very strong and maybe some upside on the international side, we'll probably see a little bit more pressure on that mix side, but it's a great business. We're handling it well, and we look forward to the contribution that provides us.

Vincenzo James Vena
CEO & Director

Listen, thank you very much, and we love the way July is running so far and you guys can all see the carloads.

Operator

The next question is from the line of Bascome Majors with Stephens.

Bascome Majors
Stephens Inc., Research Division

As you look forward and get to the point on Monday where you release the next set of things that STB has asked for. Where do you think we land on in the procedural schedule where we get to the point where you see the more formalized list of demands for some of the competitors that oppose the merger. And ultimately, those -- the hearings where we discuss that live with the regulator. And just

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does the agreement that you've reached with the CN change the tone of that in any way that you think is meaningful or impactful for those of us watching?

Vincenzo James Vena
CEO & Director

Well, I think the deal with CN clears up some of those things that we said that we needed to clear up. So that's real helpful. And it expands competitiveness coming out of Canada to Mexico and then it expands our capability to go through Chicago faster. So I love it. Not a problem there at all. As far as -- what was the other part of the question? Was that?

Eric J. Gehringer
Executive Vice President of Operations

The timing on hearings?

Vincenzo James Vena
CEO & Director

The timing. My Chief Legal Officer and everybody that we've hired, some of the best law firms say the statute is pretty black and white when you accept the application they have a year. So I just follow the law, right? Like if I get caught speeding out there. When I get pulled over, the police officer says to me, you know why I told you over, I go, yes, I was going 70 in the 55 Zone. And he goes, son of a gun, you're telling me the truth. Yes, gets me off of the ticket. So I like to be honest and upfront. The statute is pretty black and white, it's clear. So we would expect the clock to have started when they accepted the application. The next step is people get the comment. So we're looking forward to that.

Looking forward to finally people putting their facts in and telling us factually what it is, not some high level, whether Union Pacific has the capability to operate the system across the country and worried about this and that. So I'm looking forward to it, to tell you the truth, and let's hurry up and get this thing done. We're not going to get it done for my birthday on August 17, but I love it. Let's move ahead. Good question.

Operator

The next question is from the line of Ravi Shanker with Morgan Stanley.

Madison Jade Pasterchick
Morgan Stanley, Research Division

This is Madison on for Ravi.

Vincenzo James Vena
CEO & Director

I like having you on. Okay? I can't remember the last time I talked to Ravi. I knew you were going to be on. Thank you very much.

Madison Jade Pasterchick
Morgan Stanley, Research Division

I like talking to you guys, too. I think we were just wondering how does fuel impact seasonality on numbers in the third quarter and fourth quarter and how we should be thinking about kind of like the opportunity on OR?

Jennifer L. Hamann
Executive VP & CFO

Yes. So in terms of fuel, I mean, it likely will continue to pressure ORs. As I mentioned, we're paying a little bit north of $4 a gallon right now. Even with that, though, we're still very confident that we're going to make margin improvement. We feel like when we look at what we see ahead for ourselves in terms of volume opportunity in terms of our continued gains from productivity and efficiency, we should be able to overcome the headwinds from the fuel.

Who knows exactly how it's going to play out. So that's why we just need to be nimble, need to try to become more fuel efficient to the extent that we can. Obviously, we're already more fuel efficient than truck, and that's a benefit to us. More fuel efficient, more emissions friendly, but we'll wait and see how that plays out overall.

Vincenzo James Vena

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CEO & Director

We always worry about is what happens with the customers.

Jennifer L. Hamann
Executive VP & CFO

Yes. No, true. That's a good point, Jim. I should mention that. The issue with fuel can be what that does to overall price inflation and the consumer. And if that stays high enough, long enough, that it starts to reduce demand overall.

Vincenzo James Vena
CEO & Director

No, we haven't seen it so far.

Jennifer L. Hamann
Executive VP & CFO

We have not.

Vincenzo James Vena
CEO & Director

But that's always a worry. And that's why I'd rather have fuel prices come down and not gather that extra revenue from fuel because we're better off having the consumer strong. So Kenny, they've been pretty strong right now.

Kenny G. Rocker
Executive Vice President of Marketing & Sales

They have.

Vincenzo James Vena
CEO & Director

That's a yes or no.

Kenny G. Rocker
Executive Vice President of Marketing & Sales

That's strong yes. I love it.

Operator

Our next question comes from the line of Jeff Kauffman with.

Unknown Analyst

Congratulations. Just terrific news. I have a question for Kenny. Kenny, the volume environment feels pretty good. Some of this, as you mentioned, is customers can't find truck capacity because of the driver shortage. I think some of this is customers may be diverting because of the pricing and the fuel surcharge situation. One of these is a little stickier with longer-term potential. One of these is a little more temporary. Can you talk about what you feel is just shorter-term customers scrambling to the rails?

And then beyond intermodal, which is kind of the obvious conversion, what other rail commodities do you think you're seeing a benefit from whatever is going on in the trucking industry that's creating the shortage of capacity?

Kenny G. Rocker
Executive Vice President of Marketing & Sales

Yes. So one part that you did not mention is the fact that we are winning business, and we are winning over-the-road business. And that's not necessarily tied to one or the other. That's just a strong service product that we have. But yes, as you look at the overall domestic intermodal network, what's helping us out is the fact that we have different levers and optionality for our customers. We've got our rail box, which we've deployed for a couple of years now. I've been talking about the number of private asset folks that we have that give our BCOs optionality.

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So with that strong service product, that's how we're going out and winning the business and setting aside where fuel is. And yes, to your point, there are other markets that are very strong for us. You look at what's happening in our petrochemicals market. That's been a strong uptick for us. We talked about some wins there, but that market is also strong, and we're moving a lot export. And we've invested in the Gulf for storage and transit network to support that. Same thing with our grain network we've invested and put in new facilities on the grain network. And Eric and his team has shown us that we can flex to different markets. Last year, it was Mexico. This year has been the Gulf, where it's the P&W, the Gulf of Mexico, we're able to flex in those markets, wins in automotive.

So as you look at the overall landscape, coal is still the wildcard and I got out of the business of trying to figure out how to forecast coal a while ago, but I'm very bullish on where we sit from a demand and our ability to win new business.

Operator

The next question is from the line of Harrison Bauer with Susquehanna.

Harrison Ty Bauer
Susquehanna Financial Group, LLLP, Research Division

Jumping off Kenny's point on some of the rail assets that you're deploying. Can you walk through maybe the thought process decision and the opportunity that you have in some of your assets? Are private assets constrained right now? And then maybe how does this allow you to accrue more economics, whether through peak season surcharges or into next bid season?

Vincenzo James Vena
CEO & Director

I love the way you asked that. I think you always need to price on what the market provides that you can still move the product and win. So that's the way we look at it. If we could price higher because of it, which we have then we're going to do that. As far as the assets, sure, we went from having a whole bunch of our container store to just about all of them out. But what we're doing is we're trying to drive more productivity by being able to get the turns on them quicker so we can get more turns on there, and we see some of that. So that's what it's all about. And we've always liked to have a buffer.

Now we chewed up a big piece of the buffer, and we're sitting in a place where I think there's still more growth and we're not going to limit it. But of course, we're going to price and be smart about how we price so we can continue to move. Kenny, anything you want to add or you...

Kenny G. Rocker
Executive Vice President of Marketing & Sales

Yes. And I said this a little bit earlier, the private asset folks, they have ample capacity part of step new business, that's a positive for us. And you've seen some of the surcharges that we put in place for a small amount right on the customers will do that if we have to.

Vincenzo James Vena
CEO & Director

People on our railroad have capacity, right? They have extra assets. Last one, we're going to do it and get it done.

Operator

And last one is from Richa Harnain with Deutsche Bank.

Richa Harnain
Deutsche Bank Securities Inc.

So I just wanted to clarify, maybe piggybacking off that last point and maybe like drilling down more into the intermodal commercial strategy. I'm curious how you're partnering with other IMCs? And you just said your private assets have capacity. But -- there are other IMCs you work with private assets struggling with drayage drivers. We that's a concern that's been popping up over the last couple of months? And how the strategy has changed and is influencing your ability to address the strong demand.

We've also been hearing TransCon intermodal trends are pretty competitive. It sounds like you're doing a job getting price. Just curious if you all of that.

Vincenzo James Vena
CEO & Director

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Okay. So listen, I think it's a 2-parter. One thing about this team here is operations. and marketing were close every day to figure out exactly the question that you're asking. How do we do this? And how do we make things more efficient so we can get the asset turns quicker so that we can use less assets and use that 20-plus percent capacity buffer we have on our railroad to be able to run it faster and don't kid yourself, Jennifer is in there, like a dirty shirt pushing these guys around to make sure that they're spending money the right way in the capital. So I'm going to let the team talk about this. It's the last question. but you guys don't go on for 10, 15 minutes because we need to let NS on, okay? So where do you go whenever you want.

Kenny G. Rocker
Executive Vice President of Marketing & Sales

Let me make this clear, because that's a great question. We're very judicious about how we supplement our capital and our containers out to the IMCs. -- we're crystal clear on the ones that have higher dwell versus the ones that have lower dwell, and we're not afraid to have difficult conversations with them about it. So if you're sitting on our box a long time, that's a problem, and we're going to address it with you.

Vincenzo James Vena
CEO & Director

You don't want to say anything, Eric.

Eric J. Gehringer
Executive Vice President of Operations

I think Kenny did a great job explaining.

Vincenzo James Vena
CEO & Director

Bottom line is who we are, and this is culturally, and it's not just Eric and I, okay? Eric is a real smart guy. He's well educated, but I'm telling you, he's a railroader. Probably 5 or 6 years ago, I would have said he was an engineer or an engineering department. Now he's a railroader. And what we do and what he's led the team and the people, the culture that we've developed from the frontline people, they're not afraid to make a mistake. We want them to push. We want them to look at what's possible, and we want to make sure we move ahead. That's who we are.

And when we do that, because you can't operate a railroad that's spread out across the entire country, and think you're going to make every decision from Omaha, you have to make it locally. So I love where we are. We're clear on what we have to do. If we need to speed up something we react quick. We decide how we're going to do that. We measure the heck out of it, and we move ahead. So listen, that's where we are. Jennifer, anything before we tie up?

Jennifer L. Hamann
Executive VP & CFO

Yes. The only thing I'll say is I think you split something in there at the end of your question about transcontinental pricing, transcontinental margins. Again, we have surcharges out earlier than normal on our private -- on our assets. We see very strong demand, and we're providing a great service product. So we are competing in a market that is strengthening, and we're not putting discounts into that marketplace.

Vincenzo James Vena
CEO & Director

Well, listen, that was the last question. So why don't we just tie it up real quick. I'm going to look forward to having another discussion here in a few months, and we don't look backwards, okay? It's done. So we're delivering for this next quarter and seeing what we can do to get this merger approved quicker than slower because we think it's a benefit. We want to move ahead and return for our shareholders a high return, like we talked about where the EPS is going to be high single digit. So I'm excited about what -- where we are, what we're doing and blessed to have a team that makes my life easy. I get up in the morning, and sometimes I wonder what I'm going to do. Everyone, have a great day. Thank you very much.

Operator
Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.

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BEFORE THE
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FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 6



UNION PACIFIC CORPORATION

SECOND QUARTER 2026 EARNINGS

JULY 23, 2026

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Certain statements in this presentation are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, as amended. These statements relate to future events or future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause the Company's (or, as it relates to the Transaction (as defined below), the combined company of Norfolk Southern and Union Pacific (referred to hereinafter as the combined company) actual results, levels of activity, performance, or achievements or those of the railroad industry to be materially different from those expressed or implied by any forward-looking statements. In some cases, forward-looking statements may be identified by the use of words like "may," "will," "could," "would," "should," "expect," "anticipate," "believe," "project," "estimate," "intend," "plan," "pro forma," or any variations or other comparable terminology.

While the Company has based these forward-looking statements on those expectations, assumptions, estimates, beliefs and projections they view as reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which involve factors or circumstances that are beyond the Company's control, including but not limited to, in addition to factors disclosed in the Company's, as well as Norfolk Southern's (as it relates to the proposed combination of it with the Company) respective filings with the U.S. Securities and Exchange Commission (the "SEC"): the occurrence of any event, change or other circumstance that could give rise to the right of one or both of the parties to terminate the definitive merger agreement between the Company and Norfolk Southern providing for the acquisition of Norfolk Southern by Union Pacific (the "Transaction"); the risk that potential legal proceedings may be instituted against the Company or Norfolk Southern and result in significant costs of defense, indemnification or liability; the possibility that the Transaction does not close when expected or at all because required Surface Transportation Board or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the Transaction); the risk that the combined company will not realize expected benefits, cost savings, accretion, synergies and/or growth from the Transaction, or that such benefits may take longer to realize or be more costly to achieve than expected, including as a result of changes in, or problems arising from, general economic and market conditions, tariffs, interest and exchange rates, monetary policy, laws and regulations and their enforcement, and the degree of competition in the geographic and business areas in which the Company and Norfolk Southern operate; disruption to the parties' businesses as a result of the announcement and pendency of the Transaction; the costs associated with the anticipated length of time of the pendency of the Transaction, including the restrictions contained in the definitive merger agreement on the ability of the Company and Norfolk Southern, respectively, to operate their respective businesses outside the ordinary course during the pendency of the Transaction; the diversion of the Company's and Norfolk Southern's management's attention and time from ongoing business operations and opportunities on merger-related matters; the risk that the integration of each party's operations will be materially delayed or will be more costly or difficult than expected or that the parties are otherwise unable to successfully integrate each party's businesses into the other's businesses; the possibility that the Transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events; reputational risk and potential adverse reactions of the Company's or Norfolk Southern's customers, suppliers, employees, labor unions or other business partners, including those resulting from the announcement or completion of the Transaction; the dilution caused by the Company's issuance of additional shares of its common stock in connection with the consummation of the Transaction; the risk of a downgrade of the credit rating of the Company's indebtedness, which could give rise to an obligation to redeem existing indebtedness; a material adverse change in the financial condition of the Company, Norfolk Southern or the combined company; changes in domestic or international economic, political or business conditions, including those impacting the transportation industry (including customers, employees and supply chains); the Company's, Norfolk Southern's and the combined company's ability to successfully implement its respective operational, productivity, and strategic initiatives; a significant adverse event on the Company's or Norfolk Southern's network, including, but not limited to, a mainline accident, discharge of hazardous materials, or climate-related or other network outage; the outcome of claims, litigation, governmental proceedings and investigations involving the Company or Norfolk Southern, including, in the case of Norfolk Southern, those with respect to the Eastern Ohio incident; the nature and extent of Norfolk Southern's environmental remediation obligations with respect to the Eastern Ohio incident; new or additional governmental regulation and/or operational changes resulting from or related to the Eastern Ohio incident; and a cybersecurity incident or other disruption to our technology infrastructure.

This list of important factors is not intended to be exhaustive. These and other important factors, including those discussed under "Risk Factors" in Norfolk Southern's Annual Report on Form 10-K for the year ended December 31, 2025, as filed with the SEC on February 9, 2026 (available at https://www.sec.gov/ix?doc=/Archives/edgar/data/0000702165/000162828026006268/nsc-20251231.htm) and Norfolk Southern's subsequent filings with the SEC, the Company's most recent Annual Report on Form 10-K for the year ended December 31, 2025, as filed with the SEC on February 6, 2026 (available at https://www.sec.gov/ix?doc=/Archives/edgar/data/100885/000010088526000037/unp-20251231.htm) and the Company's subsequent filings with the SEC, may cause actual results, performance, or achievements to differ materially from those expressed or implied by these forward-looking statements. References to the Company's and Norfolk Southern's website are provided for convenience and, therefore, information on or available through the website is not, and should not be deemed to be, incorporated by reference herein. The forward-looking statements herein are made only as of the date they were first issued, and unless otherwise required by applicable securities laws, the Company and Norfolk Southern disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by applicable law or regulation.

EXECUTIVE SUMMARY
SECOND QUARTER 2026

Jim Vena

Chief Executive Officer

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Second Quarter 2026 Highlights

Financials	Reported	Adjusted*
Operating Income *vs. 2Q'25*	$ 2.8B ▲ *9%*	$ 2.8B ▲ *8%*
Operating Ratio *vs. 2Q'25*	59.7% ▲ *0.7*	59.2% ▲ *1.1*
Net Income *vs. 2Q'25*	$ 2.0B ▲ *6%*	$ 2.0B ▲ *12%*
Earnings per Share *vs. 2Q'25*	$ 3.36 ▲ *7%*	$ 3.41 ▲ *13%*

Executive Summary:

- **Record Financial Results – Freight Revenue, Freight Revenue Excl. Fuel Surcharge, Operating Revenue, Operating Income and Net Income**
- **Higher fuel surcharge, 2% carload growth, and core pricing gains more than offset fuel costs and inflation**
- **Higher Domestic Intermodal, Grain & Grain Products, and Plastics were partially offset by lower International Intermodal and Coal carloads**
- **Successfully improved safety, fluidity, and productivity while handling more volume**

**See Union Pacific website under Investors for a reconciliation to GAAP.*

SAFETY + SERVICE & OPERATIONAL EXCELLENCE

4

FINANCIAL REVIEW
SECOND QUARTER 2026

Jennifer Hamann

Executive Vice President & Chief Financial Officer

Second Quarter Income Statement

	2026	2025	Variance	
Freight Revenue Ex. Fuel	$ 5,490	$ 5,274	4	
Fuel Surcharge	1,028	569	81	
Freight Revenue	6,518	5,843	12	
Other Revenue	346	311	11	
Operating Revenue	6,864	6,154	12	
Operating Expenses	4,101	3,629	13	
Operating Income	$ 2,763	$ 2,525	9	%
Other Income	105	123	(15)	
Interest Expense	(313)	(335)	(7)	
Income Taxes	(562)	(437)	29	
Net Income	$ 1,993	$ 1,876	6	%
Diluted EPS	$ 3.36	$ 3.15	7	
Operating Ratio	59.7%	59.0%	0.7	pts
*Adjusted Diluted EPS**	*$ 3.41*	*$ 3.03*	*13*	%
*Adjusted Operating Ratio**	*59.2%*	*58.1%*	*1.1*	pts

Freight Revenue Drivers:

+ Fuel Surcharge 7.50%
+ Volume 2.25%
+ Price/Mix 1.75%

Operating Expense Drivers:

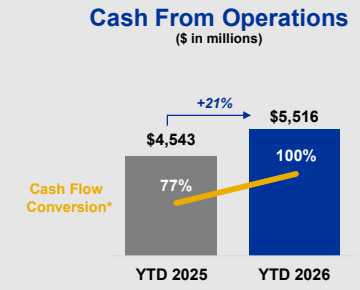
– Fuel Price
– Inflation
– Volume-Related Expenses
– Merger-Related Costs
+ 2025 Crew Staffing Agreement
+ Productivity

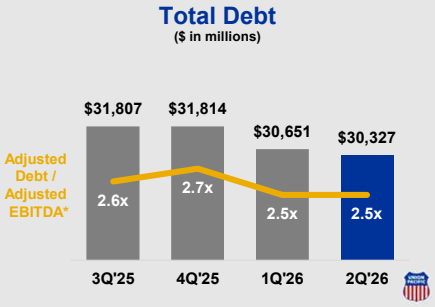
**See Union Pacific website under Investors for a reconciliation to GAAP.*

Strong Cash Generation & Balance Sheet

Reported Year to Date Results

- **Generated $5.5 Billion in Cash From Operations**
- **Repaid $1.5 Billion of Debt**
- **Invested $1.8 Billion in Capital**
- **Free Cash Flow* of $1.8 Billion**
- **Adjusted Debt / EBITDA* of 2.5x**
  - "A" rated by Moody's, S&P, and Fitch





7 *See Union Pacific website under Investors for a reconciliation to GAAP.

2026 Outlook Improved

Improved:

- Meeting Increased Customer Demand with Strong Service; Mixed Economic Forecast
- Reported EPS Growth Increased to High-Single Digit; Consistent with Attaining the 3-Year CAGR Target of High-Single Digit to Low-Double Digit through 2027

Affirmed:

- Pricing Dollars In Excess of Inflation
- Operating Ratio Improvement; Industry-Leading Operating Ratio and Return on Invested Capital
- Continued Strong Cash Generation
- Capital Allocation
  - Capital Plan of $3.3 Billion
  - Consistent Annual Dividend Increases

On Track With Investor Day Targets



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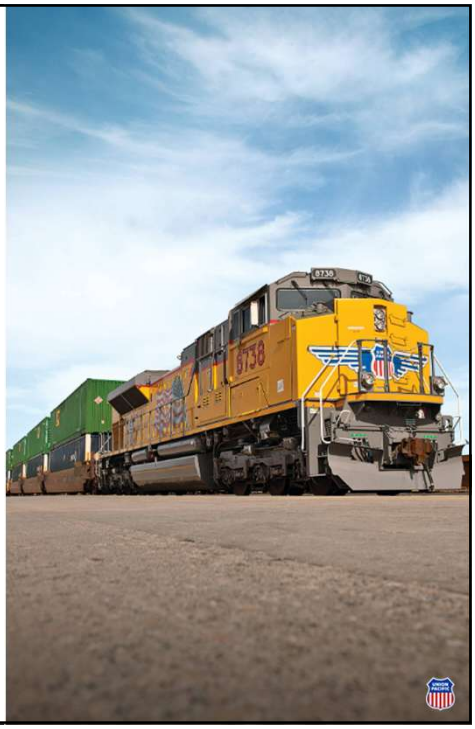
MARKETING & SALES REVIEW
SECOND QUARTER 2026

Kenny Rocker

Executive Vice President – Marketing & Sales

Second Quarter Commodity Review

Commodity	Revenue (Millions)	Volume (Thousands)	ARC
Bulk *vs. 2Q'25*	$ 2,043 ▲ 7%	514 ▼ 1%	$ 3,971 ▲ 9%
Industrial *vs. 2Q'25*	$ 2,386 ▲ 8%	586 ▲ 3%	$ 4,075 ▲ 5%
Premium *vs. 2Q'25*	$ 2,089 ▲ 21%	1,063 ▲ 4%	$ 1,966 ▲ 16%
Total *vs. 2Q'25*	$ 6,518 ▲ 12%	2,163 ▲ 2%	$ 3,014 ▲ 9%



Second Half 2026 Volume Outlook

Commodity	Business Line	Outlook
Bulk	⊕ Grain & Grain Products	Export Soybeans; Supportive Renewable Fuels Policy
	⊖ Coal & Renewables	Natural Gas Prices & High Inventory
Industrial	⊕ Metals	Strong Industrial Development Pipeline
	⊕ Industrial Chemicals & Plastics	Winning New Business & Plant Expansions
Premium	⊕ Intermodal	Strong Over-the-Road Growth, Business Wins
	⊕ Automotive	Business Wins Offset Softer Vehicle Sales

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OPERATIONS REVIEW
SECOND QUARTER 2026

Eric Gehringer

Executive Vice President – Operations

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SECOND QUARTER 2026

Key Performance Metrics

Exceptional Service Performance

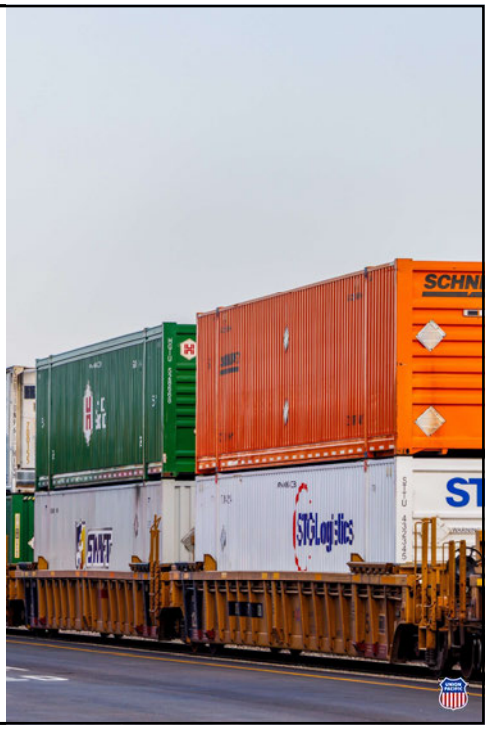
Freight Car Velocity	Intermodal Service Performance Index*	Manifest Service Performance Index*
231	95	95
▲ 5%	▼ 4 pts	▼ 2 pts

Quarterly Drivers

Record (Tie) Freight Car Terminal Dwell	Supporting Domestic Intermodal Growth	Reduced Car Touches

** Service Performance Index calculation uses best monthly performance over last 3 years. New benchmark set in 2025.*

13 *Year-over-year change in metrics.*



SECOND QUARTER 2026

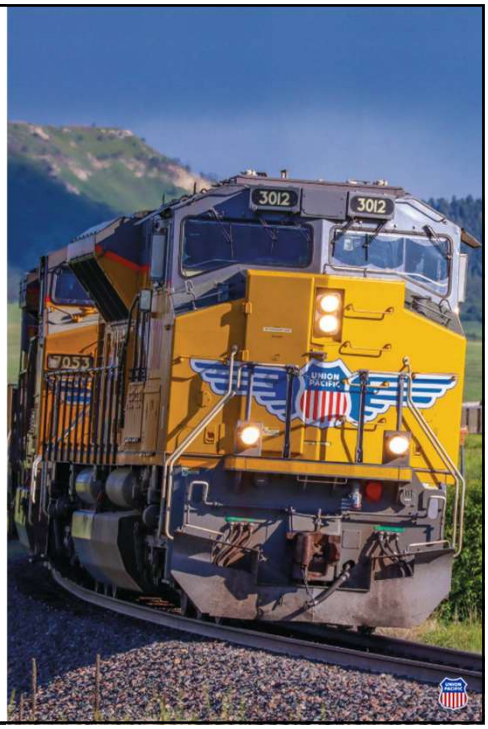
Key Efficiency Metrics

Locomotive Productivity	Workforce Productivity	Train Length
142	1,176	9,890
▲ 1%	▲ 5%	▲ 2%

Quarterly Drivers

Optimized Active Fleet	Lower Workforce Levels	Reduced Train Starts

14 *Year-over-year change in metrics.*



HOW WE WIN
SECOND QUARTER 2026

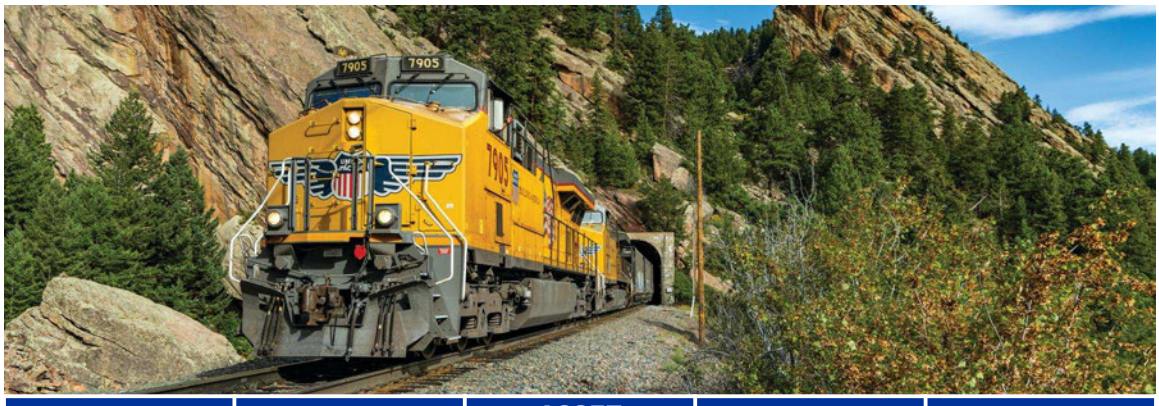
Jim Vena

Chief Executive Officer

15

UNION PACIFIC STRATEGY

Safety, Service & Operational Excellence = Growth



SAFETY	SERVICE	ASSET UTILIZATION	COST CONTROL	PEOPLE
Be the best at safety.	Deliver the service we sold our customers.	Drive decision-making to those closest to the work.	Spend resources wisely, with a buffer for the unexpected.	Engage our teams and stakeholders.

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UNION PACIFIC CORPORATION

QUESTION & ANSWER

JULY 23, 2026

APPENDIX

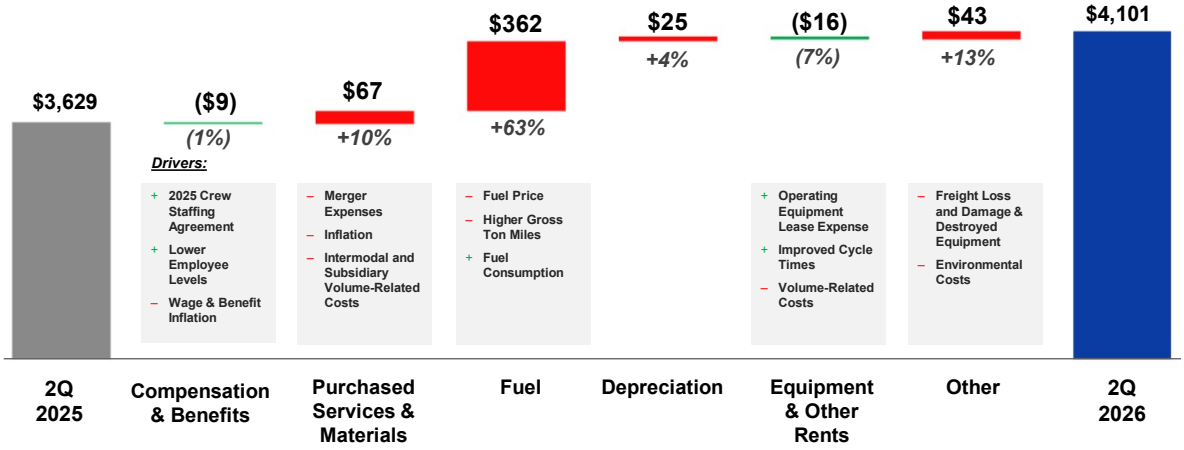
Second Quarter 2026 Operating Ratio and EPS

Favorable / (Unfavorable)

	Operating Ratio	EPS
Reported Second Quarter 2025	59.0%	$3.15
2025 Deferred Tax Adjustment	-	($0.19)
2025 Crew Staffing Agreement	0.9 pts	$0.07
Fuel Price (net)	(1.2) pts	$0.14
Merger Costs	(0.5) pts	($0.05)
Core Results	0.1 pts	$0.24
Reported Second Quarter 2026	59.7%	$3.36

Productivity Partially Offsets Fuel Price, Inflation, and Merger Costs

Second Quarter 2026 Reported Operating Expenses $ in Millions



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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JAMES CLEMENTS

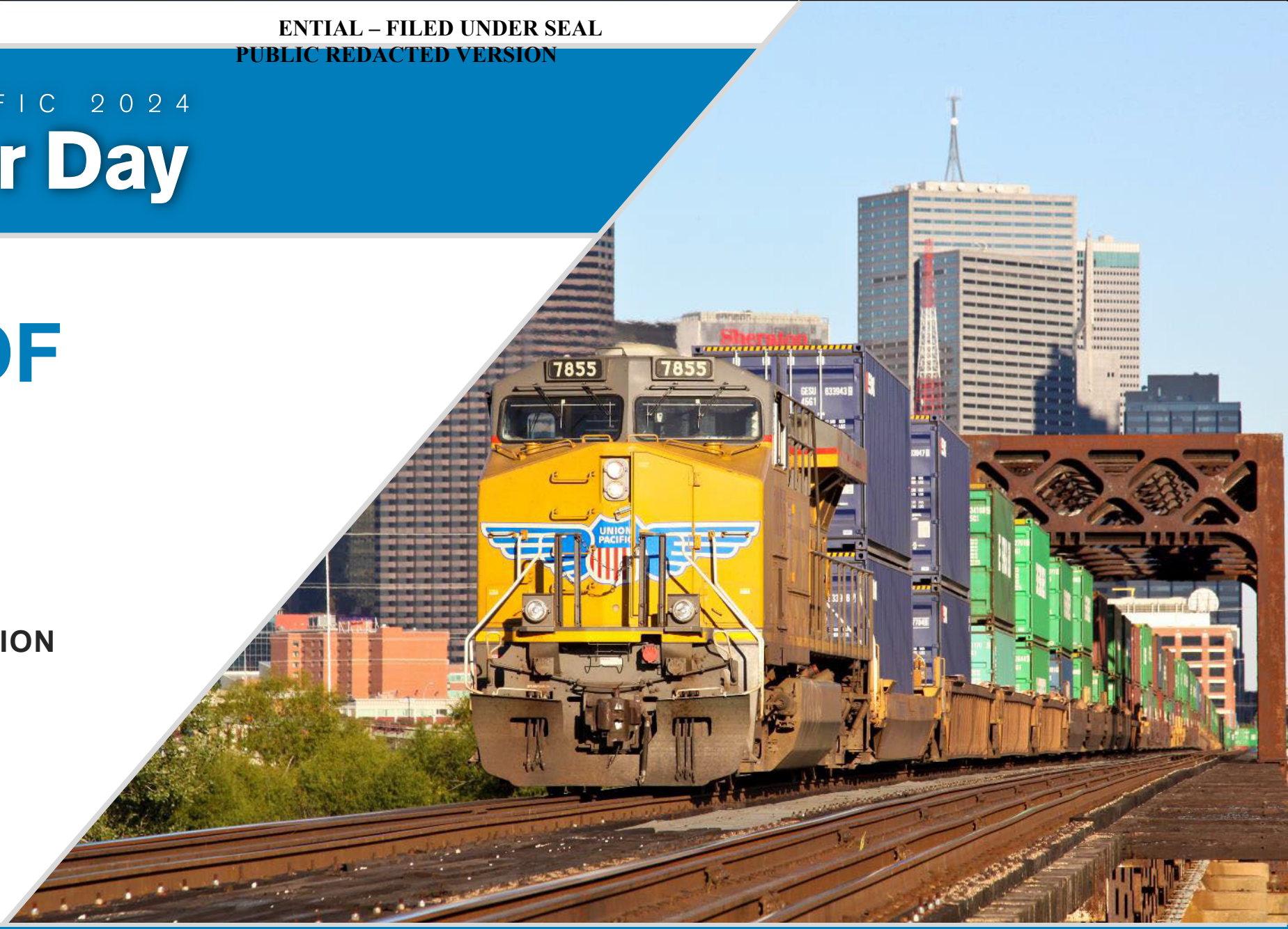
EXHIBIT 7

UNION PACIFIC 2024

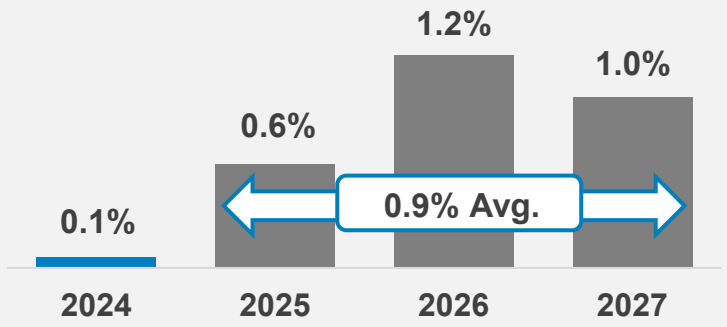
Investor Day

PURSUIT OF WHAT'S POSSIBLE

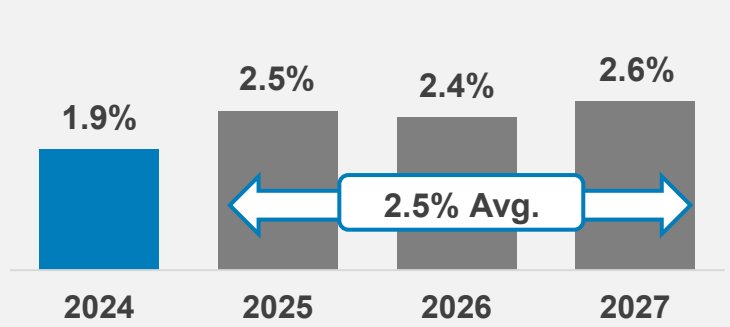
UNION PACIFIC CORPORATION



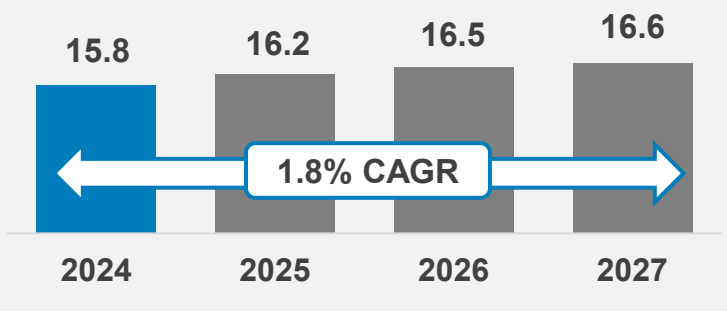
Industrial Production



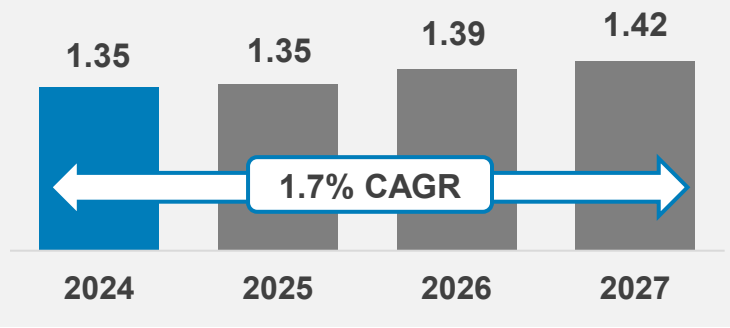
Consumer Spending



Light Vehicle Sales
(millions of units)



Housing Starts
(millions of units)



Source: S&P Global Market Intelligence, U.S. Economic Outlook, September 2024



ENTIAL – FILED UNDER SEAL
PUBLIC REDACTED VERSION

Industry Leading Financials – Driving Shareholder Returns

2025 - 2027

Revenue Growth	› Revenue > Volume > Markets* › Pricing Dollars Accretive to Operating Ratio
Profitability	› Industry Leading Operating Ratio › High Single to Low Double Digit EPS Growth CAGR
Capital, Leverage & Returns	› Annual Capital Investments of $3.5 – $3.7 Billion › Strong Investment Grade Credit Rating › Industry Leading Return on Invested Capital
Cash to Shareholders	› Annual Share Repurchases of $4 – $5 Billion › Consistent, Annual Dividend Increases › Dividend Payout Ratio ~45%

**Revenue Excluding Fuel; Volume Excluding Coal*





Jim Vena

Chief Executive Officer



Beth Whited

President



Jennifer Hamann

EVP & Chief Financial Officer



Kenny Rocker

Executive Vice President – Marketing & Sales



Eric Gehringer

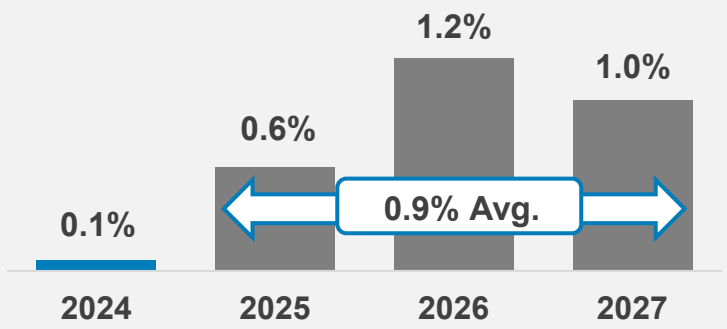
Executive Vice President - Operations



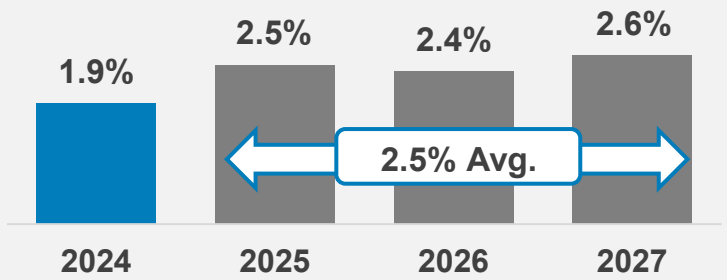
Rahul Jalali

EVP & Chief Information Officer

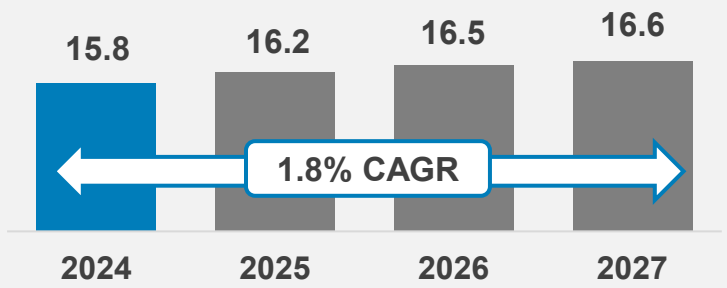
Industrial Production



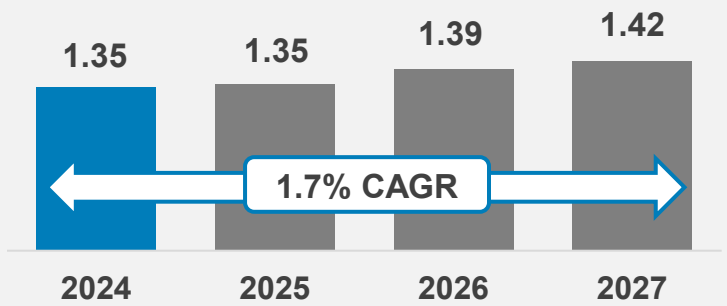
Consumer Spending



Light Vehicle Sales
(millions of units)



Housing Starts
(millions of units)



Key Modeling Data:

Inflation	~3.5%
Fuel Price Per Gallon	$2.60
Effective Tax Rate	~24%

Source: S&P Global Market Intelligence, U.S. Economic Outlook, September 2024

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

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 8

Intermodal Domestic Products August 11, 2026 Share

Mutual Commitment Program August 2026 Update

Announcement Number: PR2026-52

To Our Valued Customers,

Union Pacific continues to experience an increase in demand for EMP and UMAX domestic containers across our network, which we greatly appreciate. Action is being taken to both unstack and reposition containers while also increasing train capacity, where applicable, to meet the needs of shippers.

To reflect the current value of our capacity, reliable service and our efforts to ensure container capacity is available across our network, we will be applying a surcharge above baseload volumes.

Beginning at 0001 on Sunday, August 23, 2026, shipments above baseload in the following markets will be subject to the following surcharges.

Aggregate Program

- Los Angeles and Inland Empire - $1,000/shipment
- Northern California (Lathrop and Oakland) – $1,000/shipment

Mutual Commitment Program (MCP)

- Los Angeles and Inland Empire - Contact your Union Pacific sales representative
- Northern California (Lathrop and Oakland) - Contact your Union Pacific sales representative

We will continue to monitor demand in all markets and update the list of impacted markets and/or surcharge amount with notice.

Should you have any questions, please contact your Union Pacific sales representative.

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– CONTROL –
NORFOLK SOUTHERN CORPORATION AND NORFOLK SOUTHERN RAILWAY COMPANY

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 9

PUBLIC REDACTED VERSION

425 1 d943261d425.htm 425

Filed by Norfolk Southern Corporation
Pursuant to Rule 425 under the Securities Act of 1933
and deemed to be filed pursuant to Rule 14a-12
under the Securities Exchange Act of 1934
Subject Company: Norfolk Southern Corporation
Commission File No.: 001-8339
Date: July 29, 2025

On July 28, 2025, Norfolk Southern Corporation and Union Pacific Corporation entered into the Agreement and Plan of Merger, by and among Norfolk Southern Corporation, Union Pacific Corporation, Ruby Merger Sub 1 Corporation and Ruby Merger Sub 2 LLC, providing for the acquisition of Norfolk Southern Corporation by Union Pacific Corporation. The following is a transcript of Norfolk Southern Corporation's Earnings Call held on July 29, 2025, discussing the proposed transaction with Union Pacific Corporation.

JULY 29, 2025 / 12:30PM, NSC.N - Q2 2025 Norfolk Southern Corp Earnings Call

CORPORATE PARTICIPANTS

Luke Nichols *Norfolk Southern Corp - Senior Director - Investor Relations*

Mark George *Norfolk Southern Corp - Chief Financial Officer, Executive Vice President*

Jason Zampi *Norfolk Southern Corp - Chief Financial Officer, Executive Vice President*

Jennifer Hayman *Union Pacific Corp - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Scott Group *Wolfe Research LLC - Analyst*

Jonathan Chappell *Evercore Inc - Analyst*

Brian Ossenbeck *JPMorgan Chase & Co - Analyst*

Brandon Delinsky *Barclays - Analyst*

Fadi Chamoun *Bank of Montreal - Equity Analyst*

Tom Wolowitz *UBS - Analyst*

Jason Seidl *Cowen and Company LLC - Analyst*

David Vernon *Sanford C Bernstein & Co LLC - Analyst*

Stephanie Moore *Jefferies LLC - Analyst*

Bascome Majors *Susquehanna Financial Group LLLP - Analyst*

Walter Spracklin *RBC Capital Markets Inc - Analyst*

PRESENTATION

Operator

Good morning ladies and gentlemen, and welcome to the call to discuss America's first transcontinental railroad. (Operator Instructions) and I would like to turn the conference over to Luke Nichols. Please go ahead.

Luke Nichols - *Norfolk Southern Corp - Senior Director - Investor Relations*

Good morning. Please note that during today's call, we will make certain forward-looking statements within the meaning of the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995.

These statements relate to future events or future performance which are subject to risks and uncertainties and may differ materially from actual results. Please refer to both Norfolk Southern Corporations and Union Pacific Corporation's annual and quarterly reports filed with the SEC for a discussion of those risks and uncertainties we view as most important.

Our presentation slides are available at norfolksouthern.com in the investors section along with our reconciliation of any non-GAAP measures used today to the comparable GAAP measures, including adjusted or non-GAAP operating ratio.

Please note that all references to our perspective operating ratio to date will be provided on an adjusted basis. A brief question-and-answer session will follow the formal presentation.

Starting the presentation on slide 3, I'll now pass the call over to Norfolk Southern President and Chief Executive Officer, Mark George.

When a rail car moves non-intermodal and it needs to go from east to west or west to east. We can get across the country. We get across all the way from LA to Dallas in less than less than two days with an intermodal train. It's a little longer with a with a freight train. We will remove touch points and every time there's a touch point, you add 24 to 36 hours, even at the best, while you're switching the rail car. That's gone.

On top of that, at the interchange points where we used to stop and hand off, those those are removed. So every customer that today when we are finally approved, and that's what the STB is going to look at is what's the advantage, how is service? Is it better for America? And what they'll look at is we're going to cut a day or two off of every transit time. That means less cost for our customers. They'll have to have less cars, less leases, less the congestion on the railroad will be less because there will be less rail cars than are needed to move the same amount of business.

That's something we've done at UP already within our own network. The amount of car loads, okay, cars per car load that we operate is improved by 20%. The the velocity has improved and this combination moves it. So given all that, I trust what the STB chair has said that he wants to live up to commitments and timeline and And make sure that the process of anything that they look at is clean, and that's why we're very confident that we'll be in the timeline unless we make a mistake in what the information that they require to look at our transaction, but I'm very confident that we've done the homework and we're in the right place.

Mark George - *Norfolk Southern Corp - Chief Financial Officer, Executive Vice President*

Thank you, right. Thank you.

Operator

Brandon Delinsky, Barclays.

Mark George - *Norfolk Southern Corp - Chief Financial Officer, Executive Vice President*

Morning Brandon. Good morning.

Brandon Delinsky - *Barclays - Analyst*

Hi. Good morning, everyone, and congrats on the deal, Jim and Mark. Jim or Mark, I mean, if we go back in the history of STV merger approval or or unapproval, I think integration service risks come up quite a bit, especially with, integrations that happened decades ago. Can you guys talk about, some of your strategies to maybe mitigate those integration risks and what the service plan would be in the 1st year or two of the integration of the two networks.

Thank you.

Unidentified Company Representative

Mark, you want.

Mark George - *Norfolk Southern Corp - Chief Financial Officer, Executive Vice President*

To start? Yeah, I think like I mentioned in my prepared remarks, Brandon, we're very aware of what led to the merger moratorium back in 200, 2001 time frame, and it was just a bunch of bad integrations. And we are committed to make sure that that doesn't happen in this case, and we're going to use this two years of review process to start getting our teams together to talk and think and learn.

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About the way our systems communicate, what platforms we want to be on to ensure that we have a running start when we close on this deal in two years' time, and we're not going to turn any switches on unless we're 100% confident that we're going to be disruption free. So we're, we've learned, we're learning from the lessons of the past and you have our commitments there.

Unidentified Company Representative

So I agree with Mark 100%. We're going to be very prudent in how we do things, but you know what, words are easy and people can talk about things and what, and say this is what they're going to do. I'm not into talking about things. I'm into sho showing and then being able to replicate that. So we shut down, everybody remembers, and we talked lots about our implementation of net control. That changed, that was, that is the fundamental.

The system that runs our railroad, keeps track of every rail car movement, sets up for billing, and we shut it down, replaced the old one with net control, and it was a non event.

It was like nobody knew it actually happened. I was hoping I'd get more questions and give us a little pat on the back for Rahul and his entire IT team about how well Union Pacific did, but I never got any positive remarks from anybody. Rahul's still waiting for some. Welcome to Wall Street. Yeah, exactly.

So at the end of it I could go. On on the things, but fundamentally the fundamental strategy that we are going to partake in this is having a buffer of resources so that we do not get ourselves in a place where we can't handle because you're always, it's an outdoor sport. You're always going to be confronted with something and you need to make sure that you have a buffer of locomotives. And a buffer of assets and a buffer of people at the right level so that you can win.

So I'm very confident. I really am that we will take it like Mark said, take the right steps. Don't get too carried away. Don't think you, I don't know Norfolk Southern like I know Union Pacific. And if anybody thinks first day we're going to go out there and start slashing and burning, that's not going to happen. We need to learn and get the team together to build the right plan that wins.

I'm being very verbose this morning. I think we're going to have to cut off some of these. I'm going to TRY to do three-word answers from now on.

Thank you, Brandon.

Brandon Delinsky - *Barclays - Analyst*

Thank you both. Congrats.

Operator

Fadi Chamoun, BMO Capital Markets.

Unidentified Company Representative

Hey, how's everything in Canada this morning?

Fadi Chamoun - *Bank of Montreal - Equity Analyst*

It's great up here, Jim. We miss you. So I want to say congrats on the dear first and I just to follow up on an earlier question. Does the synergy numbers and cash flow numbers that you've outlined.

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In any way account for any potential concession in the, my main question though is, there's two ways this could have gone kind of transcontinentally, and I understand what you outlined in terms of team alignment and culture, but are there other network synergy consideration and mix commodity mix or or kind of just mixed consideration then went into Why would NSN UP make the best transcontinental combination versus potentially another one, and lastly, if Jennifer can give us what's the gross revenue number underlying the $1.75 billion.

So I'm probably not going to give you that gross number, Fatty, but I will tell you that the synergy numbers themselves are gross synergies.

So $1.75 billion is what we're looking at for revenue, and as you heard Mark state and hearing the enthusiasm from the group, we think that there's there's more opportunity there and then a billion dollars on the cost side.

So that's that part in terms of the returns and the cash flows that we talked about, we have taken into account the fact that there will likely need to be some concessions made. We're not going to size that. So when you hear us talk about the economics of the deal, know that that's taken that into consideration, but the synergies that we're talking about are on a gross basis.

Unidentified Company Representative

And Patty, you said YNS. I think they're a great company. Mark, Union Pacific.

Mark George - *Norfolk Southern Corp - Chief Financial Officer, Executive Vice President*

Think we've got the largest interchange, don't we? We do loads of interchange. You bet. Yeah, we got a really strong cultural alignment. So it's a, it's a beautiful complimentary fit. You bet.

Unidentified Company Representative

Thanks, Patty.

Operator

Tom Wolowitz, UBS.

Tom Wolowitz - *UBS - Analyst*

Yeah, good morning and yeah, Jim and Mark, yeah, congratulations on the deal. Let's see, I wanted to ask if you could.

Help frame a little bit more on the revenue synergies and then I don't know if you think like there's more likely to be upside and cost to revenue synergies, but I think, you mentioned Canadian opportunities and and taking business from Canadian ports, you mentioned the watershed markets.

Can you give any more perspective like, how large are those pieces of the $1.75 billion? Is it, is watershed the biggest piece? Is intermodal the biggest piece, how much is Canadian ports, any maybe high level perspective on how you think about the bigger opportunities within that $1.75 billion number.

Thank you.

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Information about the directors and executive officers of Norfolk Southern and their ownership of Norfolk Southern common stock is also set forth in the definitive proxy statement for Norfolk Southern's 2025 Annual Meeting of Shareholders, as filed with the SEC on Schedule 14A on March 28, 2025 (which is available at https://www.sec.gov/ix?doc=/Archives/edgar/data/0000702165/000119312525066914/d892357ddef14a.htm) and other documents subsequently filed by Norfolk Southern with the SEC. Information about the directors and executive officers of Norfolk Southern, their ownership of Norfolk Southern common stock, and Norfolk Southern's transactions with related persons is set forth in the sections entitled "Norfolk Southern Director Nominees", "Corporate Governance and the Board—Item 1: Election of 13 Directors for a One-Year Term", "Corporate Governance and the Board—Director Nominees", Corporate Governance and the Board—Compensation of Directors", "Executive Compensation" and "Stock Ownership Information" of such definitive proxy statement. Please also refer to Norfolk Southern's subsequent Current Report, as filed with the SEC on Form 8-K on June 3, 2025 (which is available at https://www.sec.gov/ix?doc=/Archives/edgar/data/0000702165/000119312525133796/d35291d8k.htm), regarding subsequent changes to Norfolk Southern's Board of Directors following the filing of such definitive proxy statement. To the extent holdings of Norfolk Southern common stock by the directors and executive officers of Norfolk Southern have changed from the amounts of Norfolk Southern common stock held by such persons as reflected in the definitive proxy statement, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC, which are available at https://www.sec.gov/edgar/browse/?CIK=702165&owner=exclude under the tab "Ownership Disclosures".

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PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 10

Company or stock symbol... /

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SUMMARY

Carload volumes rose 5% this quarter, led by industrial and intermodal growth, while fuel costs pressured margins but highlighted rail's efficiency over trucking. The merger review is progressing, with strong stakeholder support and strategic concessions to enhance competition. Technology and capacity investments position the company for continued growth and service excellence.

Ravi Shanker

Analyst, Morgan Stanley

Good news. I found Mr. Jim Vena.

Jim Vena

CEO, Union Pacific

Pardon me?

Jim Vena
CEO, Union Pacific

Ravi, it's pretty simple, okay? What we did was starting in 2019, we looked at the railroad in a completely different manner of what was possible. We invested hundreds of millions of dollars in making our railroad to be able to handle trains of different lengths and in different corridors. As we publicly have said lots, we operate with more business than we did in 2019, with 24% less trains. Some people think that's a number you can just slap on the wall, and it was easy. That wasn't easy, but that's capacity that we have excess.

Ravi Shanker
Analyst, Morgan Stanley

Sure.

Jim Vena
CEO, Union Pacific

If we're going to run seven new lanes in the merger, my God, we don't get back to where we were even in 2019.

Let alone the business that we have now.

We're very comfortable with that piece. And the other two areas that you always have to be careful with is locomotives. The reason is you just can't get them if you need them in a short period of time. Otherwise, the buffer would be zero. We'd just go down to the corner place and buy a locomotive, but nobody has them just sitting there for us-

---

Ravi Shanker
Analyst, Morgan Stanley

Yep.

Jim Vena
CEO, Union Pacific

-and people. I'm very comfortable with capacity-wise. Few little pinch point areas that we'll continue to invest in.

On the intermodal side, Jennifer, we spent, I think, something like $1.2 billion in the last eight or nine years to increase our capacity, the number of lifts we put in there, on purpose to be able to handle these changes that we think that we can draw to our railroad as we move ahead. That's what we've done, is tried to touch every piece of our business to give ourselves the capacity to not run up against it. And you'll see that if you run up against it, you just slow down.

The railroad slows down-

Ravi Shanker

Analyst, Morgan Stanley

Yep.

Jim Vena

CEO, Union Pacific

-which is not good.

Ravi Shanker

Analyst, Morgan Stanley

Got it. Just to follow up from that topic very close to your heart, you mentioned it several times already today, which is service levels. How comfortable are you with where you are with service? What technology investments do you have to make to push that to a new level? And are you confident that will sustain even when these volumes come back?

Jim Vena

CEO, Union Pacific

Listen, let's just tag team this. We've invested on technology from gate technology. At technology, so truckers can come in seamlessly. They don't even have to stop. They slow down to come in and out of our terminals. The way we switch boxcars at the terminals, we've invested in technology that allows them to do more, so we're handling switch number of cars per hour, probably 20% better than we were before. We continue to invest.

We have taken all our main systems a nd replaced them with the latest in the last three or four years, whether it's the dispatch system, whether it's our fundamental NetControl. The best part about NetControl was, it was a little scary thing, and I had hoped that Lance had done it when he was the CEO, but he sort of left that for me and kept it building. They came to see me and said, "We're going to shut down our main system that runs everything off of it, payroll, cars, everything." I said to him,

"Well, what's our backup? If that doesn't work or we have a glitch, what do we do?" He says, "You can't do anything because you can't meld the two." We're talking about hundreds of thousands of railcar movements and everything else, and we did it over a weekend. I give Rahul and his entire team accolades.

So we're ready to do what we have to do moving forward. I'm very comfortable where we are. Jennifer, anything to add, or did I cover it?

Jennifer Hamann

CFO, Union Pacific

You covered a lot of it. We are continuing to develop both within our terminal systems, our Terminal Command Center, that's going to help prompt decisions originally to some of the managers in terms of how do they want to bring the trains into the yard, how do they want to set up the switch plans to make sure that the cars are making the next connection. Ultimately, you look forward, instead of just prompting the terminal manager, it's going to go ahead and make those decisions and send those instructions to the crew automatically. There's a lot ahead of us there that we can do to continue to get more productive and safer.

Jim Vena

CEO, Union Pacific

The most exciting thing that we are working on, and we're pretty close, is a dynamic operating plan.

It takes us a long time to change the operating plan against what happens with the business because you have so many things you have to worry about, assets, people, commitments, service plans, everything else. I'm telling you, we are very close. I'd like it so that the day after tomorrow we could have a new plan that fulfills what we have to do, but able to be able to run assets better and cheaper, size of trains and everything else. We're getting there. I'm not happy with Rahul on this one and hopefully he's listening in. I expected him to give it to me six months ago, and he thinks it's difficult. I don't know. It's pretty simple from where I sit. He just needs to get going on it.

Ravi Shanker

Analyst, Morgan Stanley

You should take him for a run early in the morning.

Jim Vena

CEO, Union Pacific

Oh, he's too fast.

Ravi Shanker
Analyst, Morgan Stanley

Yeah.

Jim Vena
CEO, Union Pacific

He's a marathoner. Son of a gun. I would have to trip him to beat him, for sure. He is fast, Rahul. Fast.

Ravi Shanker
Analyst, Morgan Stanley

Never mind. I have a few more questions on financials and some thematic topics, so I'll come to that in the end. Maybe let's talk about the merger now. First of all, congratulations. The STB obviously has removed the proceedings from abeyance, resumed consideration of the merger on merits-

---

Jim Vena
CEO, Union Pacific

Yes. Thank you.

Ravi Shanker
Analyst, Morgan Stanley

-accepted the applications. How do you view this latest milestone? How should investors think of it? And give us a sense of what do you think the timeline and the next steps are from here?

Jim Vena
CEO, Union Pacific

Well, listen, we are very happy to cross that threshold because once the STB on May 28th accepted the merger application, then the clock starts. This next piece is the merits and the parties that have an issue with what we're doing get to put in, but they have to put in their detail.

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– CONTROL –
NORFOLK SOUTHERN CORPORATION AND NORFOLK SOUTHERN RAILWAY COMPANY

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EXHIBIT 11

June 2013

Rail News: Union Pacific Railroad

How information technology helps connect the strategic dots at Union Pacific Railroad

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By Pat Foran, Editor

The information technology aim at Union Pacific Railroad is to be leading edge, not bleeding edge, as Senior Vice President and Chief Information Officer Lynden Tennison often says. Accordingly, there's "technology in every corner, every curve" of North America's largest freight railroad, another phrase that's part of the information technology (IT) vernacular at UP. But it's what Tennison and his team are trying to do with that technology — and how other railroad departments and customers ultimately use and benefit from it — that makes IT the driver of "next" at UP.

In late April, I visited with Tennison and several members of his growing IT team at UP headquarters in Omaha, Neb., to discuss current initiatives and challenges. Key projects include implementing a new transportation management system, pushing the detection and derailment prevention envelopes, and employing video-game simulation technology to train and retain today's workers — and possibly pique the interest of tomorrow's.

In interviews and PowerPoint presentations, IT teamers traced the evolutionary path they're mapping. They also demonstrated what they believe it takes to straddle that

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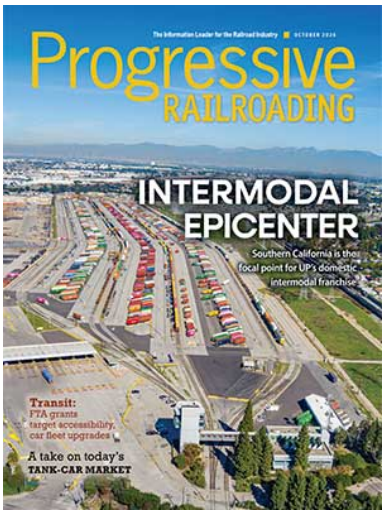

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RAIL EMPLOYMENT & NOTICES

Caltrain Hiring Manager, PTC

leading edge. They know they have a role to play in helping to connect the strategic dots, and improve the bottom line, at UP.

"A lot of what we're working on is related to operational improvement, safety and asset efficiency," Tennison says. "From the top of the Union Pacific organization on down, we have a consistent view of what it means to drive increasingly better and better performance."

It's a view Tennison has championed since he came to UP in 1992 from American Airlines Inc., where he'd been responsible for the Knowledge Systems organization.

By 1998, Tennison had risen to the position of president/CEO of Nexterna, a UP technology subsidiary that develops applications and hardware solutions for the mobile asset marketplace. In 2001, he was named UP's VP of IT and chief technology officer. He was named senior VP and CIO in 2005.

"When I came onboard, I observed that UP was a market leader in many ways, and had been a technology leader, but that had sort of stagnated," Tennison says. "We weren't aggressively pursuing the edge any longer. We've changed that."

As SVP/CIO, Tennison is responsible for organizing and managing the development, implementation and operation of the Class I's information and telecommunications technology.

"Our entire spend for IT is roughly $300 million a year, plus or minus 10 percent," he says.

The information technology department at a glance

UP's IT department comprises about 2,000 people, including more than 1,300 employees and more than 600 contractors.

About 400 work in the telecommunications unit, which is responsible for maintenance and support of towers, radio repair, the private branch exchange system, all local area and wide area networks, and PC configuration and installations. About 200 employees serve in the UP data center, in positions ranging from computer console operators to "help desk" staffers. The systems engineering unit — "We call them the 'plumbing' group; they keep all the 'plumbing' wired up," Tennison says — comprises between 150 and 200. A research and development unit includes 55 electrical, mechanical and computer science engineers. A dozen employees handle administrative functions and project management.

Meanwhile, an applications development team of about 1,000 is responsible for all of UP's software systems, from writing code to fixing bugs to managing an SAP system.

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"About half of them are doing design and development," Tennison says.

Not that the IT group doesn't purchase off-the-shelf software and other technology; it does. But at UP, the in-house engineering group also "builds stuff from the ground up," Tennison says. One reason: the rail industry's relatively small number of big players.

"There are only maybe 35 to 40 railroads in the world that are in the space we're in, and not a lot of venture money is going to be directed toward it," he says. "It just makes sense for us to do some of it ourselves."

The advantages to designing, developing and engineering hardware and software in-house? It can reduce IT unit costs. If what's developed turns out to be a technology UP can market, there's potential for royalty income. It also can help differentiate UP's IT unit in the talent recruitment arena.

"I think it will be our biggest emerging lever point," Tennison says. "And the first project to drill into this applied technology space is NetControl."

NetControl is UP's multi-year project to replace TCS, a 40-year-old IBM mainframe-based transportation system.

"It's a huge deal for us," Tennison says. "NetControl is the family jewels."

Net gains with NetControl

TCS was designed during the manifest train era, but the rail world has changed — from the development of unit trains to distribution and transload centers to containerization. Meanwhile, customers want more information and more supply chain visibility — and, ultimately, better service. So, too, do the IT department's internal customers.

"There really hadn't been a lot of investment in enterprise resource planning for freight rail in a long, long time, so we began looking at it in the early 2000s," Tennison says.

The IT team began peeling back TCS' layers, scouting the lay of the technology land to develop a transportation system to meet UP's (and UP's customers') evolving needs.

In 2006, the decision was made: UP would replace TCS with NetControl, a computer system that would connect mainframe transportation control systems with one another, and a project that'd take about 10 years and $200 million to complete. Based on a service-oriented architecture platform, NetControl supports five major functions: resource, equipment, shipment, terminal and train management.

For the IT team, the goal was to build a system that will drive improved asset utilization, offer core data support to enable global shipment logistics management and provide automated data collection.

"We designed it to be a 'zero outage' environment," Tennison says. "This is like a shop floor central system. It needs to run 24/7/365."

Another goal was to design NetControl "generically," as General Director IT/NetControl Darrell Hasty puts it.

"Imagine it's a set of building blocks and a large number of them are open source," adds AVP-Information Systems, Information Technologies Mark Foster. "With the way we have coupled them together, we can remove a building block as technology evolves and replace it with another one, and everything's still running at the end of the day."

The house that IT built

The NetControl team of nearly 200 is implementing NetControl incrementally with small, stepped cutovers. ("There's no big bang," Tennison says.) That way, the team minimizes the risk to operations while reaping incremental benefits from the new system. "We're building the new house while leaving the old one," Tennison says.

New-house features include advanced planning and support for terminal and network capacity, and providing tools to forecast asset and crew imbalances. Train engine and yard crews use their personal mobile devices to log in to the system to access their next work assignments. Terminal, yard and train operations have been standardized and optimized via workflow prioritization, providing better data predictability and, ultimately, a better shot at staying the continuous improvement course, Hasty says.

NetControl is web enabled, so training's been "a piece of cake," Tennison says. Job-centric portals feature drop-down menus, drag-and-drop functionality, smart menus and "hover" tips.

"You can still type in old commands, if you want," Tennison says. "But this no longer feels like a 1970s, character-based clunky system."

Eliminating the clunk factor for UP customers also was a priority. NetControl needed to enable UP to be more responsive — from providing more supply chain visibility to offering more proactive customer service to giving customers granularized data to support shipment tracking at the package level.

"We've always moved a train or a car, but we needed to change our thinking," Foster says. "We need to be more like FedEx or UPS and track on a more granular level. We transfer

goods and services door to door. It changes the way our IT systems work, the way we have to track data."

Customers can use mobile devices to access NetControl; they can place more accurate orders and see shipment itineraries. They can better manage shipment notifications, which helps them better manage their supply chains, Hasty says. IT team members believe the efficiency and service-quality gains will lead to new customers, if it hasn't already. ("There have been truck conversions," Tennison says.)

As of late April, the NetControl project was a little more than half complete — on time and on budget, Foster says.

"We've replaced over 50 percent of the [software] modules, and there are some 5 million lines of code left running in the old environment," Tennison adds. "We think we're building something that will be around for 25 years."

And not just for UP. The Class I also made NetControl available to Ferrocarril Mexicano S.A. de C.V. (Ferromex). UP owns 26 percent of Ferromex.

"They're about a year, year and a half behind us," Tennison says. "Beyond that, we're not out aggressively marketing it, but we'll make it available if it makes sense."

It certainly makes sense for UP, which is reaping some incremental benefit from the incrementally implemented system.

"We've already achieved $40 million in annualized savings," Foster says. "Here's the bonus — this is just a jumping-off point of the safety improvements and efficiencies we can drive with NetControl. It's a foundation of what we're really going to leverage in the future."

Detecting trends

For a while now, UP has been leveraging IT-developed technology along the wayside. Fundamentally, it's about derailment prevention. It's also about improving safety, increasing reliability, boosting velocity and capacity, and improving customer satisfaction.

"Safety is our No. 1 goal, and derailment prevention is a huge part of that — for us and the communities we serve," says General Director Information Technologies Gary Baker. "And wayside detection plays a big role in helping us prevent derailments."

How big? The railroad has had a 75 percent reduction in mechanical derailments during the past decade, or since UP started installing hot box detectors, which use infrared

scanners underneath the rails to assess the temperature of rail-car bearings. Add predictive software, as UP has, and the preventative power is even greater. UP recently connected about 4,400 hot box detectors systemwide into a single network to determine trend lines and better identify bearings before they reach temperature thresholds that could lead to failures.

"We can see a derailment before it happens," Tennison says.

In addition to hot box detectors, UP also has installed wheel impact load detectors and acoustic bearing detectors. Systemwide, the railroad has detectors installed every 20 miles.

"About 20 million data points are evaluated daily in near real time," Tennison says.

Is a particular bearing too hot? What's that wheel's recent temperature history? Which patterns are positive patterns, and which might lead to a failure? The historical data and trend lines are all there, says AVP - IT Corporate Systems Karen Krabbe. If need be, a car will be flagged for setout at the next terminal or the final destination.

Derailment prevention technology isn't limited to wayside applications. UP also is tapping technology to prevent wheel failures on coal trains.

Previously, UP relied on visual inspections to identify outer cracks on wheels, but a crack can split a wheel from the inside before it's visible. For the past five years, the railroad has used a proprietary ultrasonic wheel crack detection system at a facility in North Platte, Neb., to inspect all wheels on heavy coal trains, which historically contributed the highest number of wheel failures. The Class I is the only railroad using the technology, UP officials say.

Watching the wheels

At the North Platte facility, trains roll past a wheel crack detector at 3 mph to 5 mph. On average, the detector flags 125 defective wheels out of every 1 million inspected.

Since UP implemented the system, there have been no coal train derailments caused by a wheel failure.

"It's just one more way we think technology can drive safety and efficiency," Tennison says.

Participation in the industry-wide Asset Health Strategic Initiative could be another. Launched last year by the Class Is and rail-car owners, the multi-year, multi-phase effort is overseen by the Association of American Railroads' (AAR) Safety and Operations

Management Committee. The aim: to create a broad strategy for improving the life, health and safety of rail cars by collecting and providing visibility to detailed car information. "There's a lot of energy coming from us on this project," Krabbe says.

Just as there has been for other industry initiatives. For example, a UP-developed ancillary card cage was adopted by the AAR as the next-generation open modular onboard standard. UP also has taken a lead role in helping the industry develop "mote" technology, which would enable railroads to install a radio frequency identification tag containing numerous sensors on rail cars. Areas of study include wireless networking, messaging and energy harvesting, says General Director-Systems Engineering Dan Rubin.

"Motes are the next step," Baker adds.

Other could-be game changers include mobile technology and video, Tennison says.

"I'm not sure we totally understand what mobile's going to mean to us yet, but it's huge," he says. "And video? Security is part of it. But video has the potential to change business processes."

In the meantime, the IT R&D team continues to evaluate emerging technologies to determine how they might be adapted or applied in a rail operations context.

In addition to motes, R&D work has included development of the aforementioned ancillary card cage, locomotive voice radio and an antenna mounting platform to reduce maintenance and variability of RF antenna systems, Rubin says. (For more detail, see "R&D key to the information technology evolution at Union Pacific")

Sometimes, emerging technology is in the eye of the beholder. Ten years ago, a visit to Sony Online Entertainment in San Diego put Tennison on a virtual road he hadn't expected to take.

"When I was out there, there were 2.8 million people accessing online gaming every night," he says. "There had to be a capability in there to leverage for business. I kept thinking, 'Was there some applicability?'"

On a virtual road

Fast forward a couple years. By 2005, two UP employees — Jon Jensen, from the IT group, and Steve Bakunas, from rail operations — were looking for ways to teach new yard employees to become more proficient. Ultimately, Jensen and Bakunas were instrumental in designing software that teaches new employees how to maneuver locomotives in

yards, operate switches and sort cars. The IT group worked with P.I. Engineering to develop the virtual-reality training software.

The first rail operations simulation program recreated UP's yard in Cheyenne, Wyo. UP and P.I. Engineering developed two additional simulator programs that incorporate a hump yard and remote-control locomotive training. The Class I now uses the virtual-reality program at training locations systemwide. Last year, UP rolled out a fleet of four mobile classrooms. The 53-foot trailers each feature seven workstations that can accommodate two employees.

"In a virtual world, UP yards have been recreated to a high degree of accuracy," says Jensen, VP of marketing and sales - commercial technology offerings. "The track space is the same, the elevation and sloping, the right switches — it's very closely aligned with what's out there."

Just as it would be in a state-of-the-art video game.

"You also have the ability to make mistakes, the kind you can't afford to make in the real world," Jensen says, adding that the program also is available for other industries, including construction, mining and shipping. "Here, making mistakes is part of the learning process."

The top five safety mistakes trainees make in the virtual environment mirror the ones workers make in the field — a validation of the virtual environment, IT teamers believe. More validation, perhaps, is UP's safety performance during the past two virtual training years. Last year marked the best in the Class I's 151-year history — UP achieved a 1.01 reportable injury rate, surpassing the previous record of 1.15 set in 2011. There are additional safety, productivity and efficiency gains to be had, and the virtual training environment can help the railroad achieve them, UP officials believe.

"Some real-world training is hard to get," Jensen says. "But in this world, the sky is the limit."

There are management training applications to be tapped, as well, Jensen says. High-and-wide clearance, too, is another potential simulation option. Or the simulation exercise could be a bit more strategic, something that presents trainees with a plethora of what-if scenarios to work through.

"You could simulate a day in the life of a flood, where we shut down two bridges," Tennison says. "That's where this is going."

And because railroading is a team sport, there's a logic to having workers/players train together at some point — from different locations. "What's coming next is a multi-player

experience," Tennison says.

The technology-talent link

The next-generation technology is as important as the next-generation talent the IT team needs to recruit and retain. In IT, technology and talent are inexorably linked. As Tennison notes: "It's hard to find graduates who want to work in assembler code, and TCS [the old transportation system] has 11 million-plus lines of it."

It's a balance, then, and one Tennison believes UP is striking nicely. It has to: "45 to 50 percent" of the IT team will retire within the next 10 years, he says.

So the search for top talent is ongoing. UP recruits at institutions nationwide, including Carnegie-Mellon University, Georgia Institute of Technology, Massachusetts Institute of Technology, Michigan State University, the University of Illinois and the University of Texas-Austin. In December 2012, UP opened an 11,000-square-foot IT center in Austin, Texas, to locate recruiters and IT group leaders closer to where some of the talent resides. The facility is a software and engineering R&D center. The IT department also has expanded its internship program to include about 70 year-round and 40 summer interns.

A special breed

Like his Class I counterparts, Tennison knows he's competing with Google et. al for the best and brightest. But he likes his railroad's chances.

"Sometimes, all it takes is getting them here and showing them what we do," he says.

And not just what they do, but how. At UP, the IT group acts as a technology company integrated into a railroad operation, Tennison says. Work teams of six to 10, rather than 500, design, develop and engineer software and hardware. The idea: People have a voice and the best ideas rise.

"We're looking for people who ask questions," says Tennison, who recently was named "Technology Leader of the Year" by The AIM Institute, which cited his leadership in the use of video game simulation for training, and his entrepreneurship and commitment to worker development. "We are investing for the long run, and in IT, the biggest investment is people."

It takes a special breed to do all that strategic dot-connecting. Tennison considers his team among the best of IT breeds.

"I've worked for a number of companies, and I would put us up with any of the organizations I've worked with," he says. "Some of the things we're doing with

NetControl, on an enterprise level, are as good as anything you'll see at the top technology companies."

By the IT numbers

At Union Pacific Railroad, there's technology in every corner and around every curve. North America's largest freight railroad has:

- 22,000 PCs
- 54,000 portable and mobile radios
- 7,770 locomotive radios
- 5,200 locomotive data radios
- 1,145 base stations
- 2,000 wireless access points
- 4,600 routers/switches
- 7,700 end/front-of-train devices
- 6,700 locomotive camera systems
- 171 private branch exchanges/gateways
- 18,500 phones
- 600 centralized traffic control circuits
- 800 automatic equipment identification systems
- 4,375 defect detectors
- 700 microwave sites
- 34,000 miles of commercial fiber
- 1,500 towers managed

Source: Union Pacific Railroad

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From the Editor — Union Pacific-Norfolk Southern: More time and what it will tell



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VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 12

investisdigital.

Union Pacific Investor Day 2021

Tuesday, 4th May 2021

I will highlight some of our initiatives that are generating increased workforce productivity, better equipment reliability and lowering our cost structure. Our locomotive initiatives have reduced the size of our locomotive fleet. To see workforce productivity, we need to normalise to an employee per active locomotive look. Said differently, the number of employees needed to maintain each locomotive. We have increased our productivity by 28% over the last five years. On the freight car side, reduced car dwell and increased car velocity have resulted in fewer cars in inventory. Like the locomotive side, when you normalise the number of employees per active car you can see an almost 45% increase in workforce productivity. PSR is about working smarter, not necessarily working harder.

Mechanical Technology

We have a variety of technology that supports these smarter work processes. Let me highlight a suite of sensing technology that helps us identify and fix our rolling stock before they fail on line. Hot Box Detector measures the temperature of the wheel bearing. We collect this data on individual cars to proactively fix and prevent online failures. Hot wheel detectors measure the temperature of wheels as they roll through on trains. This gives us a real-time view of the health of the cars' braking system. Wheel impact detectors measure the impact load the wheel is putting on the rail. All three of these examples collect rolling and trending data on the health of the running gear. In the past six years bearing derailments are down by 50%. Similarly, wheel-caused derailments are down 70% over the last ten years.

Rethinking Our Future

Jenks Locomotive Shop, N. Little Rock

During the pandemic slowdown we closed several shops in both the Engineering and Mechanical side. As the demand for these facilities came back, we were very intentional and deliberate about the facility we wanted when we brought them back on line. We took this opportunity to transform the culture of these work units. If we reopen the facility, they had to be world-class in safety, best-in-industry in productivity and cost competitive, not only with other roads but the independent contract facilities as well. Our Jenks locomotive rebuild facility in North Little Rock is a perfect example of this. It is safer, more productive and cost-efficient. Our Jenks 2.0 facility has 50% fewer employees. It is 22% more productive and has lowered its cost by 40%. Today the facility is 450 days injury-free. Our De Soto car and Denver maintenance facilities have experienced similar results towards becoming world-class.

Engineering Technology – Rail Sensor

Improving Reliability, Performance and Efficiency

Similar to the car side, we use an array of sensing technology that allows us to collect information on the health of our track and rail. Our current geometry cars are rolling labs of sensors and computer equipment. They require a locomotive, a train crew and two operators to operate the geometry car. We are currently partnering in the development of unmanned operations on both the locomotive and freight car. Each of these are in service today. We plan to have three locomotives and two auto-boxes in service this year. An auto-box can operate 24/7 at a fraction of the cost of our current systems. The geometry equipment I spoke about is not unique to UP. We do have equipment in design and production that is unique to our railroad that we are confident will produce excellent productivity gains.

Wood Tie Unloading Automation

Let me highlight a couple of examples. We currently have patent-pending equipment we refer to as autonomous tie unloading. We have been developing this car over the last two years and are in our final design. The car that you see on the video is being tested in production today. By the end of the summer, we will have five cars in service. This design can distribute ties 3-4 times faster and requires 80% less labour than the conventional method.

Tie Plate Distribution Automation

We have partnered with some local firms to develop a tie plate distribution machine. This machine alleviates some of the safety risks of our current operation and shows promise for significant labour savings. We plan on field testing next month here in Omaha. On the locomotive side we continue to develop and enhance our energy management systems from both a fuel savings and train handling perspective. We are exploring alternate fuels where it makes sense. We are finalising our strategy to test and deploy battery electric locomotives in our yard and local operations in California. In summary we will continue to challenge the team to be smarter, use technology, automate where we can and increase efficiencies. We will get there by fully incorporating PSR thinking into every facet of our Engineering & Mechanical teams.

Foundational Platform Enabling a Connected Future

Eric Gehringer: Woven throughout the message you heard from both John and Shane was the importance that technology plays in our pursuit for operational excellence. Our operating and technology groups have always closely partnered to look for innovative approaches to meet and exceed our ever-changing customer needs while improving safety and efficiency. Our CIO Rahul Jalali will now lay out his vision for how technology at Union Pacific will drive improvements and how we serve our customers into the future.

Rahul Jalali (SVP & CIO, Union Pacific): Technology has always played a crucial role at Union Pacific. Our job is to make sure that our teams and customers can engage in the fast, easy, most efficient way. I have been with UP for about six months and I have spent a lot of time learning the business by walking our yards, talking to customers and the mission is clear. Reduce friction by better enabling our internal teams to serve our customers in the most effective way possible. We are going to make some major strides on this in this coming year. Let me tell you about this.

When I joined UP one ahas I heard right off the bat was to see how much of an advanced platform company we are. The most advanced companies on this planet are platform companies. In the past you have heard about our development of an industry-leading logistics management platform which I like to think of as an air traffic control and transportation management system rolled into one. Internally we call it NetControl. It is the centrally-connected brain of our complex business and has also an adoptive function to meet tomorrow's challenges.

I am happy to announce that NetControl is poised to go fully live over the upcoming year. This home-built platform connects many of our systems such as train, locomotive, dispatching, crew and many more, allowing us to leverage our connected data to develop innovative products with speed and agility. It also gives us the ability to leverage advanced

applications such as artificial intelligence, machine learning, internet of things lovingly called IoT, and produce friendly flexible customer-facing interfaces as well as deliver customer integration services with APIs.

To give you a sense of the complexity, this platform includes 94 million lines of code. That makes it bigger than some of the leading social media companies and the code base that they have. It is also created in a very modern microservices architecture designed to be highly scalable and flexible. As a result, faster solutions for our customers, lower operational costs and enabling us to be ready for the future such a server-less world and really a cloud native deployment going forward.

We are also seeing some early returns from this platform that we have already implemented form the impact it is having. We are delivering AI based tools which augment human decisions, such as terminal optimisation which provides intelligent classification cards in the yards for inbound trains. This has shown to reduce dwell time in some cases by as much as an hour every day. Second example, Movement Planner. It is a module of our dispatch system and we are putting intelligence into it for signals for a dispatcher for the meet and passes of the trains on the network, allowing our dispatchers to focus on more important tasks while assets to be forward deployed faster.

In closing I would say net-net, the NetControl platform helps us modernise our operations to be running a better, safer and more connected railroad today. However, what I am really excited about is what it will allow us to do in the future. This gives us the ability to quickly adapt and deliver for the fast-changing needs of our operations and ultimately our customers.

Eric Gehringer: The Operating Department has an abundance of projects and initiatives that will propel our railroad to new heights as we strive for operational excellence. We will leverage technology to improve safety, provide a better service product to our customers and reduce our carbon footprint. We have the right team of leaders in place and a motivated team that is ready to deliver on those commitments. We are excited to grow with our customers offering them new and exciting rail products as we convert more traffic to rail. Our network is ready for growth and to be leveraged to deliver strong financial results. With that, we are ready to answer your questions.

Serve Q&A

Lance Fritz: Welcome to the Serve panel. I am Lance Fritz. On my right I have got John Turner, on my left I have got Eric Gehringer and Shane Keller. We are veery excited to answer your questions.

Scott Group (Wolfe Research): Good afternoon. We clearly heard a focus that you want to grow. We heard a lot about productivity. Can you help us think about the balance and what this means for headcount going forward over the next few years? Then Lance, you were talking about crew size. Maybe you could give us an update on labour negotiations and potential to reduce crew size going forward. Thank you.

Lance Fritz: Great Scott, thank you. I will start with labour and crews. Then I am going to kick it to Eric to button up on what our workforce looks like into the future. We are in about year two of the labour negotiation. It is slow going. Covid had a lot to do with that. Labour is postured to get into negotiation with us following the win by management in court saying

that crew size is something that needs to be negotiated. We have got our arbitration that has kicked off ready to go on that topic. Scott, it is way early innings still to figure out what kind of progress we are going to be making, but we are committed to at least engaging seriously in the conversation about getting to a crew-conscious deal where when we are prepared on the right territory, we can reduce the number of people in the cab of the locomotive to match the work.

Eric Gehringer: On the headcount Scott, you saw in the presentation at least five different examples of strategic initiatives that are all aimed at being able to continue to drive our productivity. I am not going to guide to a specific number today but when we think about growing train length and automating technology, those are all efforts to be able to get a smaller footprint, be more efficient and with that, be more productive.

Brian Ossenbeck (J.P. Morgan): Good afternoon, thanks for taking the question. A follow-up on the technology, leveraging it across the network. Lance, you just mentioned the crew size. Putting that aside, do you have line of sight to implementing PTC in a productive way now that it has been fully operational in testing? How does that apply to this advanced platform for control and visibility that you mentioned earlier?

Lance Fritz: Brian, thank you, great question. PTC is basically the platform that much of the technology we have talked about that either can enhance service product or can reduce costs is built on. I will turn it over, Eric, maybe for you to start and you can punt it to anybody you want.

Eric Gehringer: Sure. With PTC as the backbone for that, you are really seeing the communication network at its very best. When you think about projects like quasi-moving blocks that would redefine in a large part how we operate, all with an eye towards safe and efficient operations, those are the types of examples you would see us build off that. Right now, the future is pretty endless because although we have had it in place and we are completely compliant, we see lots of opportunities probably some of which we will not see until we start capitalising even further on the ones right in front of us.

Lance Fritz: Yes Brian, I am just going to close that up quickly. Fundamentally what PTC gave us was a lot more computing power on the locomotive and a very wide net of communication. When you think about the remote control for locomotives that we talked about before, cruise control if you will for fuel savings and a better trip, that is all built on the platform from PTC. So is our operating processes command centre where we communicate directly real-time with trains from this building to help them get over difficult territory. There is application after application. Thanks for that question.

Let us go to one on the website. The question is you mentioned truck automation threat. Can you maybe outline the three key things Union Pacific and rail industry need to get right to ensure maintaining a strong cost advantage? Absolutely. Those three things are, A, we have got to get the cab consensus right. How many people do we need in the cab of a locomotive? We mentioned before our direct response to truck automation is train automation. There is a clear path for that. We have got to get that path right. Second thing is we have got to continue to get our C-rate right, get our fuel consumption down and we can go over a number of those ways maybe in subsequent questions. Then third we have got to make sure that our network plan, our transportation plan continues to be as efficient as it possibly can be. We

Our future is built on service, which is customer-centred operational excellence; growth, both in carloads, in service, in products and reach; winning, being the best in the industry and being a logistics leader and doing that together, so that all four stakeholders are moving in the right direction with us.

With that, we thank you all for spending time with us. Take care.

[END OF TRANSCRIPT]

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EXHIBIT 13



Rahul Jalali, Executive Vice President and Chief Information Officer

Service March 18, 2024

Share

NetControl Positions Union Pacific as Technology Trailblazer

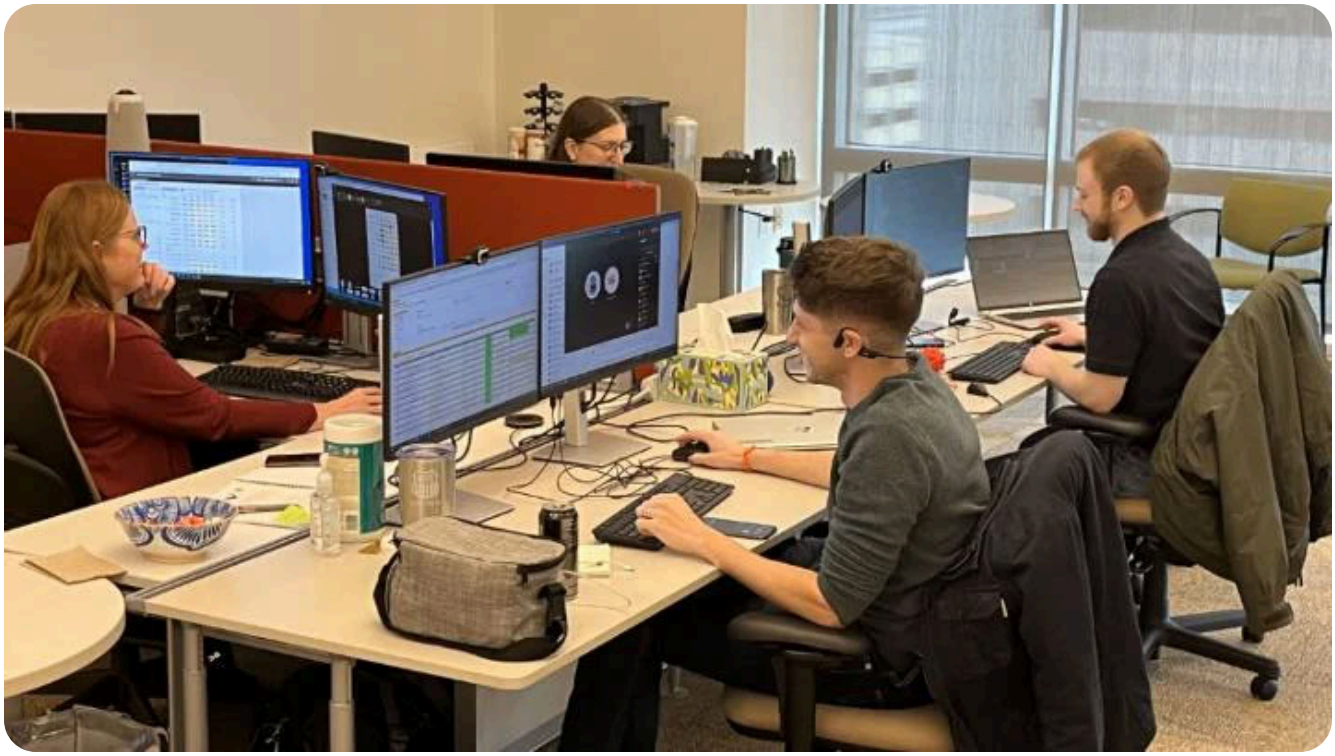
by Rahul Jalali, Executive Vice President and Chief Information Officer

Union Pacific made history on Jan. 6, 2024, when we became the first Class I railroad to modernize the "big three" core operating platforms: Positive Train Control (PTC), Computer-Aided Dispatch (CADx) and Transportation Management (NetControl). I've heard the cutover likened to a heart transplant, and it's a fitting description. NetControl – a modern, secure platform that supports plug-and-play integration capabilities with thousands of APIs – replaced an antiquated mainframe responsible for our core logistics for more than half a century.

Every day, NetControl intakes millions of messages from customers, other railroads and our own Union Pacific systems. It then applies business logic that triggers downstream activities driving 75 key internal and external reporting measures.

NetControl processes everything from rail car inventory and scheduling to waybill processing and train, locomotive and terminal management. For our customers, NetControl provides shipment tracking of every rail car within our terminals and helps safely assign each car to a train as it advances to its destination.

These activities, the core of what NetControl DOES, are critically important to operating safely – very much the beating heart of our railroad. But it's the future unlock, what NetControl COULD DO, that's most exciting.



Union Pacific employees monitor the railroad's new NetControl platform, which launched Jan. 6.

Today in our rail yards, hundreds of employees make thousands of decisions daily to determine how to best execute our transportation plan. Platforms like NetControl – which are ripe for co-pilot technology – unlock a new era of railroading where rich, real-time data drives near real-time insights that can be leveraged to optimize performance. No more looking in the rearview mirror to make decisions.

The NetControl milestone also enables future investment by Union Pacific to build mathematically-derived and optimized transportation plans focused on efficiently using our critical resources. These data-driven insights will help determine the best routes and train schedules; reduce the number of times we handle a car; model resource allocation; and plan for growth as we consider rail corridor expansions and infrastructure investments.

Take for example Terminal Command Center, a new technology solution built on the heels of NetControl that will revolutionize how we manage and operate our rail yards. It provides a real-time visualization of terminal inventory and capacities with "look ahead" capabilities to detect constraints. Soon, intelligent planners will be incorporated into the platform to assist with complex decisioning. Terminal Command Center leverages dozens of APIs to directly tap into NetControl's data-rich environment and existing functionality.

All of this potential unlock is just the beginning, and it couldn't arrive at a more pivotal time. Our entire team is focused on delivering our strategy of Safety, Service and Operational Excellence = Growth, and NetControl provides the visibility needed to be fluid and agile as we respond to changing conditions.

I've been a part of some monumental projects in my career, but implementing NetControl tops the list – the future of railroading is here.

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EXHIBIT 14

CSX operations affected by technology systems outage (updated)

By Bill Stephens | October 28, 2026

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Dispatching and positive train control not affected, the railroad says, but CSX has been unable to interchange with other Class I railroads

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The conductor of CSX manifest Q300 (Rocky Mount, N.C. to Philadelphia) dismounts as he prepares to make a rollby inspection of westbound counterpart Q301 at East Aiken on the CSX Philadelphia Subdivision near Perryville, Md., on March 25, 2022. Michael S.

Murray

JACKSONVILLE, Fla. — CSX is working to restore its computer systems after a technology outage began affecting the railroad's operations Tuesday morning and prevented interchange with other Class I railroads.

CSX freight traffic was down sharply, according to RailState, which monitors rail traffic with a trackside sensor network. RailState sensors cover CSX's northern tier as well as points in Florida and the St. Louis area. "CSX freight traffic is down 60% against its 30-day average," RailState said, based on the 21 hours between 7 p.m. Tuesday and 4:40 p.m. today.

CSX said the problem was not a cyberattack.

"We continue to work through the technology outage that began Oct. 27. Our security team has confirmed that this was not a cyberattack and that there has been no associated data breach," spokesman Austin Staton wrote in an email to *Trains* this afternoon. "Technology is working diligently to correct the outage, and systems are coming back online on a rolling basis, but not all functions are fully restored."

Although dispatching and positive train control systems were not affected, most other systems that are related to operations were down.

"Crew systems are gradually coming back online, but key functions remain limited. Crew calling requires significant manual work, which is contributing to a slower pace of operations," Staton wrote.

Due to the outage, CSX is unable to exchange data with other Class I railroads, which has prevented interchange. CSX was, however, able to rely on Belt Railway of Chicago and Conrail paperwork and processes to interchange in Chicago and the Conrail shared asset areas of Detroit, northern New Jersey, and Philadelphia/southern New Jersey.

"We are in regular communication with the other railroads and with the Federal Railroad Administration and the Surface Transportation Board," Staton wrote.

Systems used to call crews and issue work orders and train bulletins were offline, according to CSX employees, as were yard inventory systems. Train crews told *Trains* they were stranded at hotels at their away-from-home terminals.

"Many trains had the crews removed and sent home yesterday because they can't run without proper paperwork, which was unavailable," an operations employee wrote in an email to *Trains* this morning. "The trains that were able to move were instructed to leave their original paperwork on the engine."

The railroad's main website also is among the systems that are down. But the ShipCSX website — which customers use to conduct business with the railroad — appeared to be unaffected this morning.

"The systems that control train movements, including train dispatching and positive train control, are functional. We remain focused on moving freight safely while restoring the systems that support our operations," Staton wrote.

Amtrak trains on CSX were operating normally, according to a review of train status reports on Transitdocs.com. A check of live railcams across the CSX system showed freight trains were operating this morning — including some locals — but traffic was not moving at normal levels.

— Note: Updated at 1:25 p.m. CT with progress on restoring systems and more details from CSX. Updated at 4:46 p.m. CT with information from RailState. To report news or errors, contact trainsnewswire@firecrown.com.

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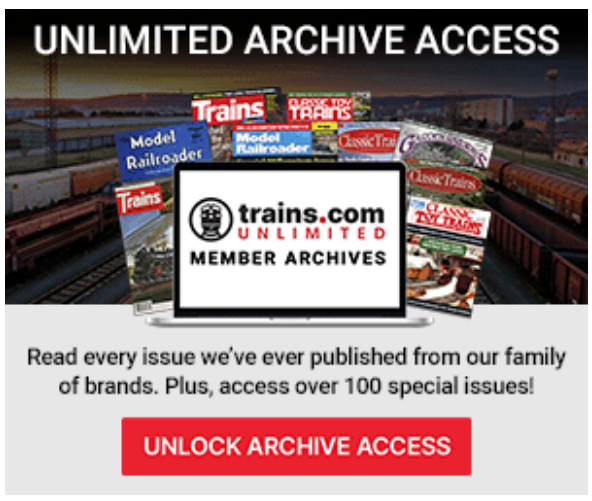

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EXHIBIT 15

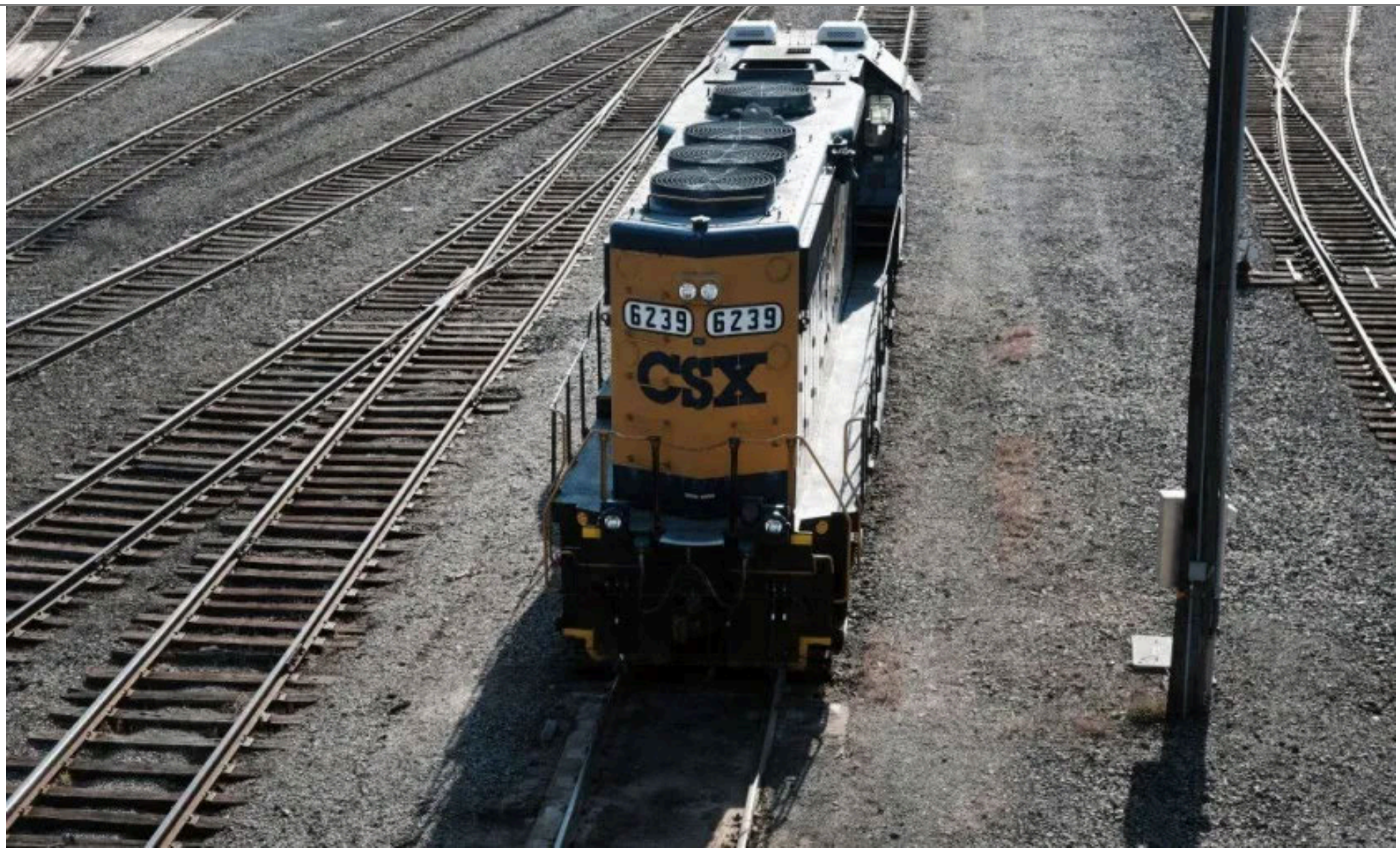
HOME > BUSINESS TECH > BUSINESS

CSX Tech Outage Halts Class I Freight Interchange Even as Safety Systems Hold

Crew scheduling and cross-railroad EDI remain dark while PTC and dispatch stay online

By **Joshua Mitchell**

Published: Oct 29 2026, 8:24 AM EDT



NEW YORK, NEW YORK - OCTOBER 11: Trains sit at the CSX Oak Point Yard, a freight railroad yard on October 11, 2022 in the Bronx borough of New York City. The country's largest railroad unions announced that they have rejected its deal with freight railroads. The union has said the deal doesn't do enough to address the lack of paid sick time or improve working conditions. (PHOTO: PHOTO BY SPENCER PLATT/GETTY IMAGES)

A technology outage that struck CSX Transportation on October 27 has suspended all digital interchange with every other Class I railroad in North America and taken down the crew calling systems that move freight trains — a disruption arriving at the worst possible moment, as holiday merchandise begins its peak-season push through the US supply chain. The outage is not a cyberattack, **CSX's security team confirmed**, but two days in, no public restoration timeline has been offered, and the nation's busiest rail switching terminal is processing CSX cars on paper.

What Went Down — and What Stayed Up

The CSX outage disabled three categories of systems that together form freight rail's operational backbone: crew calling platforms (which assign engineers and conductors to trains and track their hours-of-service compliance under federal rules), train bulletins and work orders (the real-time documents that authorize train movements and track maintenance instructions), and the railroad's Electronic Data Interchange (EDI) connection to partner railroads.

What did not fail matters just as much. CSX's Positive Train Control (PTC) — the federally mandated safety overlay that prevents collisions and speed-related derailments — remained fully operational. So did the railroad's central dispatching system. Amtrak, which runs passenger trains on CSX-owned track, has continued service uninterrupted. The **ShipCSX portal remained accessible** throughout, giving shippers a window into freight tracking even as the operational systems behind it faltered.

This split tells the core story of the outage: CSX's technology infrastructure runs on two distinct digital tiers, and only one of them — the safety tier — has federal mandates requiring resilience and redundancy.

Electronic Data Interchange is the digital handshake that allows one railroad's trains to become another railroad's problem. Under Association of American Railroads standards, when a CSX train reaches an interchange point — say, a yard where CSX hands off cars to BNSF or Union Pacific — it must transmit an **EDI 417 rail waybill**, a structured electronic document specifying the car's origin, destination, contents, weight, and hazmat status. The receiving railroad's systems ingest that data automatically, authorizing acceptance and movement.

When that transmission fails, receiving railroads face a choice: accept cars without electronic custody records—which creates billing, safety, and regulatory documentation gaps—or hold them at the interchange until paperwork workarounds can substitute. Most are choosing the latter.

Belt Railway of Chicago Falls Back to Paper

The most consequential operational impact is unfolding at the Belt Railway of Chicago (BRC), the co-owned intermediate terminal railroad that serves as the primary interchange hub for virtually all east-west and north-south freight crossing the United States. BRC's Clearing Yard in Bedford Park, Illinois, **processes approximately 2.6 million cars** per year — making it the single most important interchange point in North American freight rail.

BRC is now processing CSX interchange cars on paper waybills, manually routing cars that would normally move through automated document exchange. Paper processes are slower, more error-prone, and require manual data entry at the destination end — compounding delays for every car that passes through.

Conrail Shared Assets Operations, which manages joint CSX-Norfolk Southern territory in Detroit, northern New Jersey, and the Philadelphia/southern New Jersey corridor, is also on paper workarounds. Both territories cover densely trafficked freight corridors where delay at interchanges cascades quickly through the supply chain.

The Federal Railroad Administration and Surface Transportation Board **were notified October 27**, CSX confirmed. Both agencies have jurisdiction relevant to this disruption: the FRA oversees crew hours-of-service compliance (now being tracked manually) and the STB handles economic service-reliability oversight.

What Stops Freight When Safety Systems Are Still Running

The CSX outage exposes a structural gap in how the US regulates freight rail's digital infrastructure.

Positive Train Control required a federal mandate — the **Rail Safety Improvement Act** of 2008 — that took 12 years to implement at an industry-wide cost estimated between $6 billion and $22 billion. PTC's back-office servers, wayside radios, and onboard enforcement systems are subject to FRA type-approval, operational testing, and redundancy requirements. When PTC has problems, trains literally cannot legally move.

Crew calling systems and EDI infrastructure operate under no equivalent mandate. They run on commercial IT platforms subject to standard software-industry vulnerability — the same vendor product defects, hardware failures, and backup-system gaps that ground airlines and delay hospital systems. When they fail, trains can technically move if crews can be manually assigned and paper workarounds can be executed. But the operational slowdown can be severe enough to stop interstate freight just as completely as a PTC failure, without the federal resilience architecture PTC was required to build.

The dominant provider of Class I crew management software adds another dimension to this risk. PS Technology's CrewPro platform **runs crew management for five** of the six Class I railroads in North America. If PS Technology itself experienced an outage, crew calling failures could simultaneously hit most of US freight rail — a concentration risk that currently has no federal regulatory framework governing it.

Holiday Freight at Maximum Risk

The timing of the outage compounds its financial stakes. The fourth quarter is the highest-volume period for intermodal freight — the container-on-flatcar business that moves consumer goods from ports and distribution centers to regional terminals for last-mile delivery. **CSX domestic intermodal volume** has been running above prior-year levels this year, with seasonal strength building through October.

Intermodal freight is also the category most dependent on electronic data exchange. A container moving from the Port of Savannah through CSX to a BNSF connection in Chicago for delivery in Kansas City depends on a clean EDI handoff at every interchange. When that handoff requires paper, the container — and everything inside it — waits. Shippers whose merchandise is currently in transit on CSX intermodal lanes are navigating that uncertainty without a restoration date from the railroad.

Why Ops Outages Hit Harder Than They Used To

The NS comparison is instructive. Norfolk Southern experienced two technology outages in 2023: a hardware-related outage on August 28 that **stopped all NS trains** (as they could not legally move without PTC connection), and an **October 1 data center failure** that hit dispatching systems. NS said after each outage that **effects would last weeks** — and that estimate held.

chassis companies faced additional per diem charges because ingate termination records — normally transmitted via EDI — were never entered once systems came back up, leaving containers technically still "in-gate" in carrier systems even after they had been physically unloaded. CSX shippers using international intermodal lanes are watching for the same phenomenon.

The CSX outage is architecturally different from NS's 2023 PTC failure — CSX's safety systems are intact. But the operational impact may prove similar in duration, because crew calling, EDI, and work order systems are what keep trains moving after PTC clears them to move.

What Shippers Can Do Now

CSX's **ShipCSX portal for tracking** remains operational, giving shippers access to freight tracking, shipment status, and customer service contacts. Shippers with time-sensitive intermodal freight in the CSX network should contact their account managers to assess whether specific lanes are affected by the interchange hold.

For Q4 holiday merchandise in transit, logistics teams should begin evaluating backup truck and expedited intermodal options for shipments with hard delivery windows. The NS 2023 precedent suggests that even after CSX restores its systems, operational backlogs — particularly at BRC's Clearing Yard — may extend disruption several weeks beyond the restoration date.

Frequently Asked Questions

Is the CSX outage a cyberattack?

No. CSX has confirmed the outage is a technology failure, not a cyberattack. Norfolk Southern's 2023 outages were **both confirmed as non-cyber events** as well — a hardware failure and a data center failure respectively. Absent a threat actor, the relevant questions are about system architecture: why did backup systems not catch this, and which vendor is involved.

What does a railroad crew calling system actually do, and why does it matter when it goes down?

A crew calling system is the digital platform that assigns qualified engineers and conductors to trains, manages their rest and availability under federal hours-of-service regulations, and tracks compliance in real time. Without it, railroad workforce managers must reach crews by phone and log hours on paper — a process that is dramatically slower and more error-prone. The federal hours-of-service rules (49 CFR Part 228) remain in force during an outage: crews still cannot work beyond their legal limits, and manual tracking makes it harder to staff trains efficiently within those limits. PS Technology's CrewPro **runs crew management for five** of the six Class I railroads — meaning a vendor-level failure could simultaneously affect most of US freight rail.

PTC tells a train whether it is safe to move. Crew calling tells a train whether it has a legal crew to move. EDI tells the next railroad whether it can accept the train and its cars. All three systems must work for a car to complete an interchange move. When crew calling is down, trains that have PTC clearance and dispatch authorization still cannot move without a compliant crew assignment in the system. When EDI is down, trains that have a crew and PTC clearance still cannot hand off to another railroad without paper workarounds at every interchange. The result is that operational systems can stop freight just as completely as safety systems — they just do so without the federal resilience requirements that protect safety systems.

How long will it take for CSX freight to return to normal after systems are restored?

The Norfolk Southern precedent suggests the answer is longer than the outage itself. NS's 2023 technology failures produced disruptions where **effects would last weeks** after system restoration, as car backlogs at yards and incomplete EDI records required manual reconciliation. For CSX, the backlog at Belt Railway of Chicago's Clearing Yard — which processes roughly 2.6 million cars per year — is likely to be especially acute: every paper-processed car during the outage will need its records verified and normalized once digital systems return. Shippers with time-sensitive freight should not assume that restoration equals immediate normalization.

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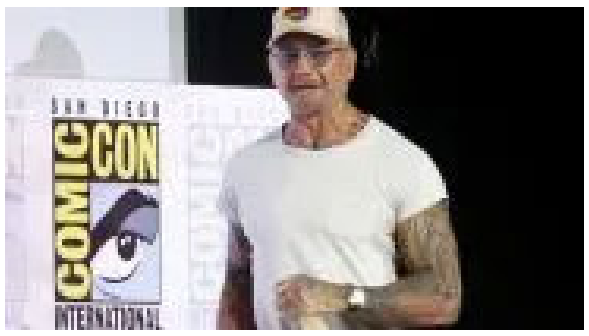
5. 

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PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JAMES CLEMENTS

EXHIBIT 16

CREATING AMERICA'S FIRST TRANSCONTINENTAL RAILROAD

Innovative Technology is Powering Safety, Service & Operational Excellence

The Union Pacific-Norfolk Southern combination brings together state-of-the-art technology to power America's first transcontinental railroad – providing customers visibility as shipments travel across the nation while accelerating technological advancements that promote greater freight competition.

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- Union Pacific **seamlessly cutover** its transportation management system to NetControl – making it the only railroad to **modernize all core operating systems**.
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- Integrating the railroads' shipment management platforms will enable customers to quickly **receive single-line rate quotes** and **track transcontinental freight** with one intuitive experience.
- Expanding Union Pacific's **Precision Gating Technology** will boost fluidity at major intermodal terminals, where **UPGo** and **ExpressNS** already automate mobile check-ins.
- Linking the railroads' site selection tools will help **customers grow with rail** by easily identifying rail-served properties and transload facilities across the nation.

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- Integrating Norfolk Southern's **Digital Train Inspection** portals and **Automated Track Inspection** technology will strengthen the ability to quickly assess potential mechanical and track defects – improving safety and service performance.
- Rolling out Union Pacific's **revolutionary tie and rail unloading** equipment across the network will improve safety and drive significant efficiency gains.
- Implementing Union Pacific's modernized critical rail technologies – like **CADx**, **Train Builder** and **NetControl** – will accelerate productivity, growth, safety and innovation.



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VERIFIED STATEMENT OF JOHN BROOKS

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

UNION PACIFIC CORPORATION &
UNION PACIFIC RAILROAD COMPANY

– CONTROL –

NORFOLK SOUTHERN CORPORATION &
NORFOLK SOUTHERN RAILWAY COMPANY

VERIFIED STATEMENT OF JOHN BROOKS

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VERIFIED STATEMENT
OF
JOHN BROOKS

1. I am John Brooks, CPKC's Executive Vice President and Chief Marketing Officer. Previously, I was Executive Vice President and CMO at Canadian Pacific. I held senior marketing responsibilities at CP since 2007, when CP acquired DM&E, where I was Vice President of Marketing. I began my railroading career at Union Pacific and later helped start I&M Rail Link, LLC, which DM&E acquired in 2002.

2. Over the course of my railroad career, I have had senior responsibilities across all lines of business, including coal, chemicals, merchandise products, grain, and intermodal. As a lifelong resident of the Upper Midwest and a graduate of the University of Northern Iowa, I have particularly deep knowledge of the transportation needs of customers across the Midwest states served by CP—the Dakotas, Minnesota, Iowa, Illinois, and Wisconsin.

3. I submitted verified statements in support of the *CP/KCS* combination in 2022. In those statements, I explained the many customer benefits that would result from combining the two smallest Class 1 railroads in a north-south transportation marketplace dominated by much larger railroads, including UP and BNSF, with which they sought to compete more effectively. Since the merger, I have been involved in designing, pricing, selling, and implementing CPKC's service offerings, including both new single-line and interline services. I am proud to report that, as we outlined in our 2022 Application and supporting evidence, the creation of CPKC through the combination of CP and KCS has unlocked an expanded set of competitive options for rail customers without eliminating any of the options that shippers had before. As I explain further in this statement, the same cannot be said about the highly certain impacts from combining UP and NS.

4. I am submitting this statement to explain, from the perspective of someone who interacts with rail customers daily and works hard to find ways to develop rail transportation service offerings that meet customer needs, why the UP-NS merger, unlike the *CP/KCS* combination, would not serve the public interest. I will address six main points.

5. *First*, a combined UP-NS would be able to use its vast network to bully shippers into less competitive agreements. UP and NS would have both the ability and incentive to push shippers to their lanes even where customers may prefer the offerings of other railroads. This competitive harm will likely materialize in a few different ways. For example, where a shipper is solely served by UP on one side of the gateway, but enjoys competition on the other side of the gateway, a combined UP and NS would be able to exert pressure to force that shipper to use UP and NS for both portions of the haul even if the customer would prefer not to accept the full bundle of services UP was insisting upon. To be sure, not every customer will be harmed. Those already captive to UP and without a current presence in NS territory might see little risk in the merger. But they are not the majority. Shippers nationwide would be unable to avoid the combined UP-NS Colossus, and a subsequent downstream consolidation is not likely to be able to restore competition to current levels.

6. *Second*, a merger is unnecessary to achieve growth. Applicants flatly assert that they are unable to grow because of interchanges in the middle of the country. That is not true for a few reasons. First, CPKC has first-hand experience with UP's strategy to maximize price increases over volume growth. Second, the *CP/KCS* combination has little bearing on the likely effects of this merger. CP and KCS had exhausted interline opportunities over their single point of connection pre-combination. UP and NS, by contrast, have vastly more points of connection between them and have not maximized their potential for interline service. Third, technology is

making interline service more efficient by the day, removing some of the logistical barriers that might once have hindered railroads from providing their interline customers with a seamless, truck-like experience on issues like customer interfaces, shipment visibility, and many others. Ultimately, growth comes from railroads that are willing to innovate with their interline partners, investing together in services that put the customer first, demonstrating that their services will be there for the customer and operate reliably. Today's industry structure encourages exactly that kind of innovation, as evidenced by the joint CPKC-CSXT Southeast-Mexico Express Service that I discuss below.

7. *Third*, Applicants' projected growth is the result of a third-party expert-driven study that has no resemblance to how railroads actually grow in the real world. Probably for that reason, it is heavily weighted toward finding diversions in the pool of traffic currently moving by truck, rather than shifting rail traffic from CPKC and other railroads to the UP post-merger network. That is not how railroad sales work in practice. In my experience, the industry's muscle memory when it comes to selling is to take share from other railroads rather than to win new freight from the highway. When you are the largest railroad, using your leverage to pull traffic away from competitors is the easiest sale to make, and a combined UP-NS would have more of that leverage than any railroad has ever had. Apart from all of the defects in that expert-driven analysis, which are addressed by other witnesses, the Board should be skeptical of the bottom-line conclusion. As I explain below, CPKC knows first-hand how difficult truck conversions are, and there is serious doubt that what Applicants are claiming would be realistic or achievable.

8. *Fourth*, Canada has nothing to do with the UP-NS merger. Canada's rail system bears little resemblance to the United States rail network. And Canadian ports do not have any sort of structural advantage over U.S. ports because of the current rail network.

9. *Fifth*, no set of conditions could preserve the competitive outcomes that the current industry structure provides. At best, the Board would have to adopt an entirely new and onerous set of regulations that would fall short of replicating today's world, while simultaneously adding an entirely new set of regulatory layers to even attempt to offset the likely harms of the merger. As I explain below, the commitments Applicants have made—their "open gateway" commitment, their "Committed Gateway Pricing" program, their "Targeted Access Program," and their rate arbitration proposal—fall far short of what would be necessary. And even if one imagined such a regulatory regime, built of conditions and perhaps new backstop industry-wide regulation, being useful if scrupulously adhered to by post-merger UP, the experience of CPKC and others should stand as a warning that UP and NS will do everything that they can to thwart the real-world effectiveness of any such regulatory strictures.

10. *Sixth*, if the Board does approve the merger, CPKC's requested conditions are critical to give us the best chance to preserve our ability to compete with UP and NS on the merits of price and service.

I. THE UP-NS MERGER WILL MEAN WORSE COMPETITIVE OUTCOMES FOR RAIL CUSTOMERS AND THE AMERICAN ECONOMY

11. The vision of American railroading over the next century that Applicants offer in their Application is one in which the U.S. rail network is weaker and less capable of meeting the needs of transportation customers and the American economy. That is because, even if further rail consolidation stopped with just one more merger rather than several, eventually leading to a

Continent-wide duopoly, the competitive options available to rail customers would be severely diminished.

12. Applicants have acknowledged that there is some competitive overlap between UP and NS in certain geographies, and they are proposing to fix those problems by providing additional rail access to certain facilities. It is not clear to me that Applicants' chosen recipients for that access will come close to replicating what shippers lose, especially given the relatively small reach of CN's network compared to that of UP and NS. What is clear to me, however, is that the competition issue UP is proposing to address is just one among several much more significant and systemic ways in which the UP-NS transaction will reduce the competitive options available to rail customers.

13. Based on my experience in railroading and with UP and NS in particular, I see shippers being harmed by a loss of competition in at least four ways: (1) reduced ability to benefit from head-to-head competition on one or more sides of a gateway where UP previously connected with an independent NS; (2) elimination of the competitive leverage resulting from UP becoming more indispensable to shippers, such as through UP's greater control of solely served origins and destinations; (3) reduced opportunities to benefit from the competitive options to UP that may remain because of UP's greater ability to "bundle" competitive traffic in contracts covering movements for which UP will be indispensable; and (4) reduced competition between UP and NS for a greater portion of the routing where their networks offer alternative paths between origin and destination.

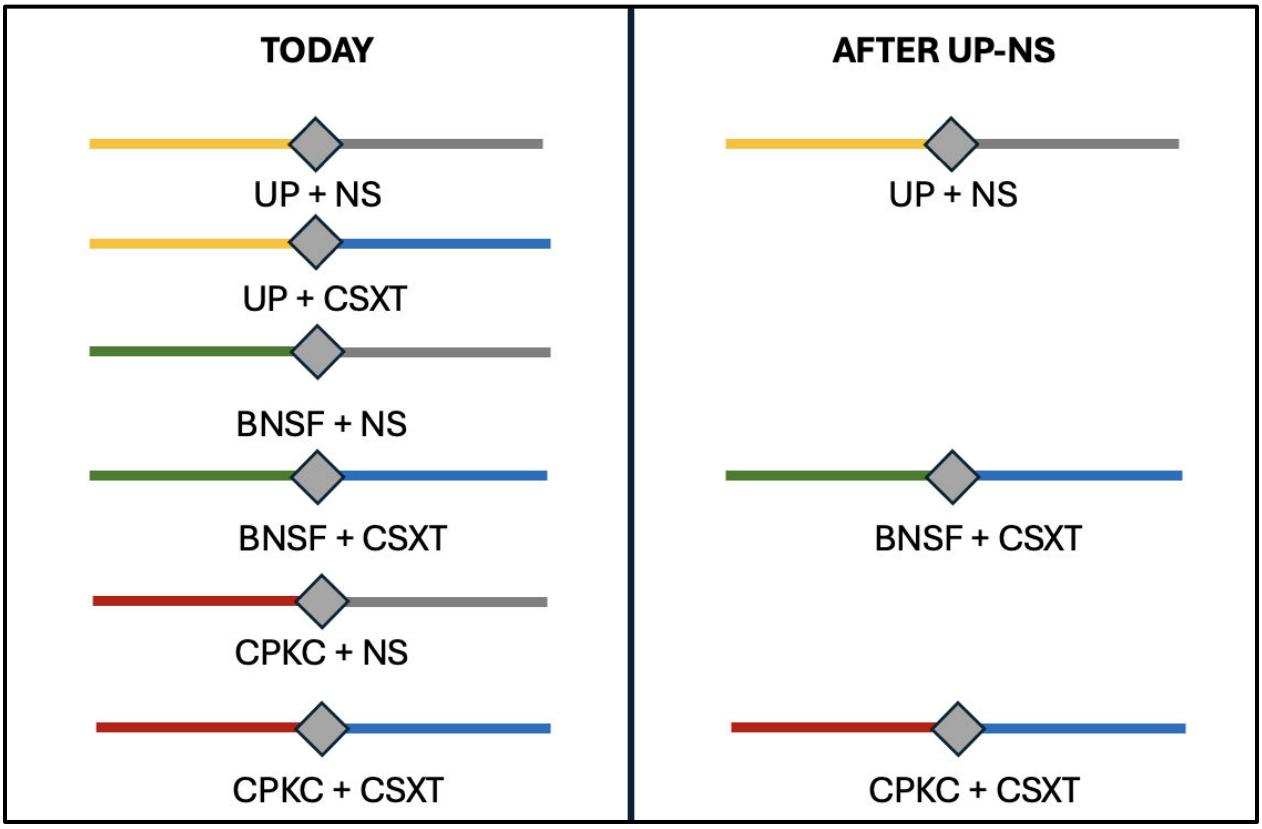
A. The UP-NS Merger Would Disrupt Today's Interline Optionality, Leading to Higher Prices, Fewer Service Options, and Poorer Service

14. First and foremost, by its very design the UP-NS merger will restructure the way the rail network handles East-West traffic flows across the important Mid-Continent gateways,

substituting today's world, in which shippers have numerous interline options, for a future in which shippers have at most two options (and many times just one): UP-NS's single-line offerings and, maybe, an interline or single line option via BNSF and CSX. As a practical matter, rail customers would no longer have any ability to negotiate with two Eastern options or with two Western options, taking advantage of competition between those railroads in the East and West, and then choose the pairing of Eastern and Western carriers that offer them the best deal. The Board should not underestimate the degree to which this transformation would extinguish a competitive dynamic that today lets shippers with options be in the driver's seat when negotiating with their railroad service providers.

15. As a practical matter, except in situations where post-merger UP has compelling incentives to continue interlining with another Class 1 (perhaps including CPKC-UP movements between North Dakota, where UP's network would not go, and the Pacific Northwest), the likely array of realistic shipper options will be reduced to those entailing movement on the UP network, and those that are fully independent of that network. In other words, the world will transform from the (admittedly oversimplified) competitive picture in the left-hand panel of Figure 1 to the much less competitive environment depicted in the right-hand panel. Today, each of the three Western carriers—UP, BNSF, and CPKC—can be paired with either of the two Eastern carriers—NS and CSXT—giving shippers six combinations to play off against one another. After UP-NS, only three would remain: UP-NS itself, BNSF-CSXT, and CPKC-CSXT.

FIGURE 1
THE PERMANENT TRANSFORMATION OF TODAY'S INTERLINE OPTIONALITY



1. The Merger Will Collapse the Ability Shippers Have to Negotiate Better Competitive Outcomes with Rail Competitors on One Side of a Gateway

16. As today's network is structured, shippers routinely play carriers off against one another when multiple options are available to, or from, a gateway, even when only one carrier can serve the origin or destination on the other side. This practice transcends commodity. Shippers of chemicals and industrial commodities, of bulk commodities like grain and ethanol, of automotive shipments, and of intermodal shipments all benefit from the ability to have confidential and separate negotiations with their Eastern carrier options and with their Western carrier options, knowing that they can combine those options via a well-functioning gateway connection in the middle of the country.

17. To illustrate using just one among many dozens of applicable scenarios, take a situation where a receiver of frac sand at a solely served facility in the East is looking to source that commodity from a rail-served facility in the West. Despite being captive in the East, the shipper has real options in the West, and can harness the benefit of competition: both among alternative sources of frac sand and the alternative railroads that serve those mines. The rail carrier in the East does not need to be privy to those negotiations. Shippers know how to use Rule 11 pricing mechanisms to secure from the Eastern carrier a rate that can be combined with another Rule 11 rate in the West that is the product of a truly competitive negotiation for that portion of the transportation need.

18. CPKC participates in these kinds of negotiations routinely. For example, this dynamic benefits many chemicals customers. Even if their facilities across the country might be served by a single railroad, they have the benefit of shipping to receivers that have rail options, or the situation may be reversed, with the receivers sourcing from dual-served origin facilities. The opportunity for competitive negotiations between rail carriers in the East or in the West unlocks tremendous value for these shippers today, but that will go away if UP-NS effectively removes the interline optionality that makes this dynamic work, and transforms all negotiations for transportation on the legacy-UP or legacy-NS part of the merger network into a conversation the customer must have with UP executives in Omaha.

19. The same dynamic applies when the competition on one side of the gateway is between alternative sources and destinations. For example, in the frac sand realm, CPKC-served mines in Wisconsin and Iowa are direct substitutes for UP-served mines in Wisconsin. In order to win the business, we need to sharpen our pencils on rates and offer fast and reliable cycle times in conjunction with the Eastern carrier (usually NS in this scenario), because it is the sole

railroad reaching many of the important destinations in Pennsylvania, Ohio, and Southern Tier New York. We know what will happen if UP and NS merge. UP will have full visibility into both sides of this negotiation and control what it offers for movement over the legacy-NS portion of its merged network. UP will have an array of tools to ensure that the "best" and maybe only option for this receiver is the UP-NS option even if that option is inferior to what would have been available to the shipper in the pre-merger world because of real competition in the West.

20. In my experience, once UP controls NS it would have many levers to tilt this choice. In the frac sand context, for example, it could direct destination bids only to UP-served locations, it could use unloading incentives to control the delivered price, or it could degrade the CPKC-UP option by discontinuing NS's practice of cooperating with CPKC on unit train service and substituting manifest train service, which is all that UP supports today. There would be dozens more tactics UP could employ, some subtle and others more explicit.

21. An infinite array of similar scenarios will play out across all of the East-West commodity flows. The exact same scenario I described relating to frac sand will be repeated across an array of bulk commodities: grain, ethanol, potash, and others, including chemicals and forest products. Intermodal customers that previously could pair their preferred Eastern carrier with their preferred Western option will see their choices reduced from four to just two: the UP option and the BNSF-CSXT option in most cases.

22. I describe a number of these scenarios in more detail below.

(a.) Frac Sand Moving to NS Destinations Via Chicago

23. Source options in the Upper Midwest remain a key competitive advantage for frac sand customers. CPKC works with frac sand facilities in Wisconsin and Iowa to ship

approximately [redacted][1] carloads annually over Chicago to NS, providing East Coast consumers with access to a wide range of competing supply sources. Eastern consumers of frac sand have multiple options in the Upper Midwest to source from; key frac sand originations come from approximately 14 facilities across Wisconsin, Iowa, and Illinois that are served by multiple railroads, including CPKC, UP, BNSF, and CN. For example, UP serves [redacted] CPKC serves Pattison Sand's facility in Clayton, IA, [redacted]

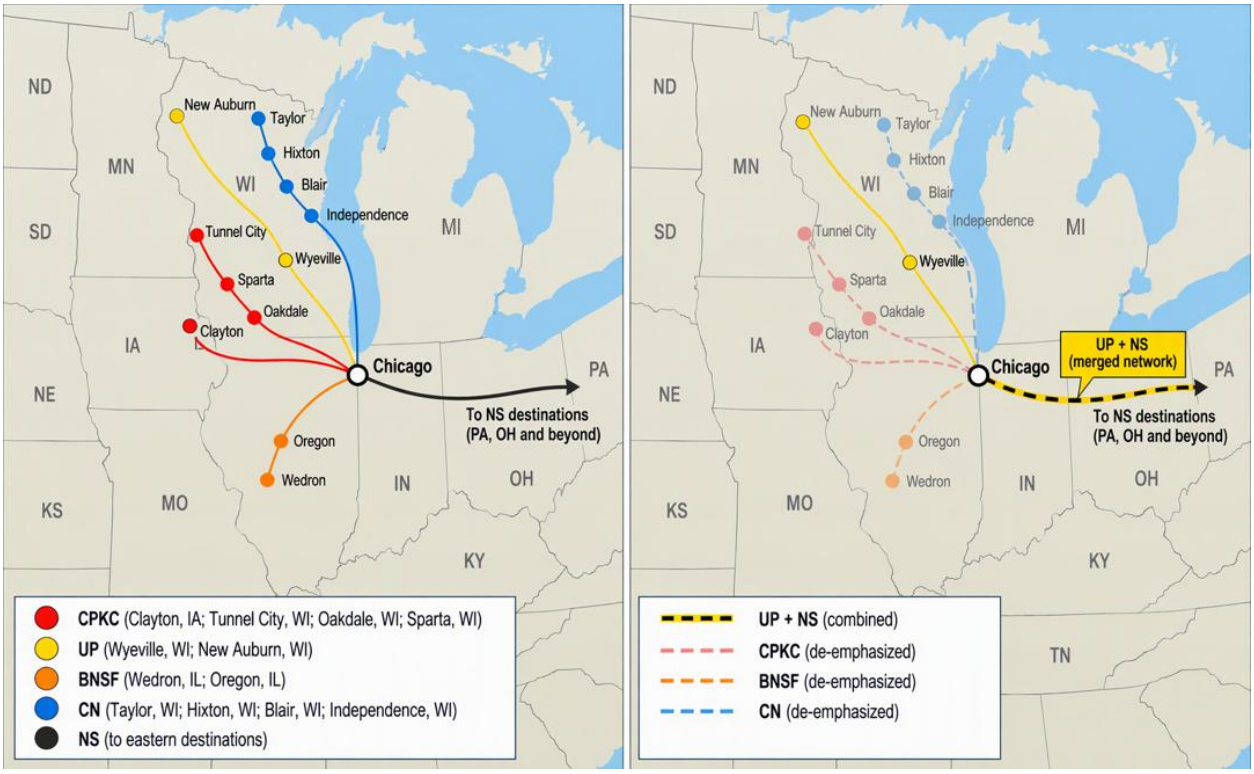
24. This diversity of rail-served origins creates meaningful competition among suppliers and transportation providers, helping discipline prices west of Chicago and benefiting customers. However, the majority of the destinations in Pennsylvania and Ohio are solely-served by NS. This traffic typically is bid and moves under Rule 11 pricing to Chicago, which preserves competition at origins and gives receivers access to multiple supply options and lower delivery costs. After the merger, UP would have visibility into the entire equation and would use its market power to raise overall prices. For example, UP could keep the traffic on UP-served origins west of Chicago for itself and to commercially discourage the use of other supply sources served by competing railroads. CPKC volumes from [redacted] origin and Pattison Sand's Clayton, IA origin are among those most exposed to that displacement. This would harm both receivers by limiting their array of available choices and shippers by effectively

[1] *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points," cell F4.

eliminating the entire Eastern market for frac sand producers served by anyone other than UP-NS.

25. The likely anticompetitive effect of the merger on these lanes is illustrated in Figure 2 below.

FIGURE 2[2]
IMPACT ON FRAC SAND SHIPMENTS TO NS-SERVED EASTERN REGIONS VIA CHICAGO



(b.) Ethanol Moving to Eastern Distribution Terminals.

26. CPKC currently handles approximately [redacted][3] annual carloads of ethanol moving to NS destinations via interchange at the Chicago gateway, primarily from origins in Iowa, Minnesota, and North Dakota. Today, competition among Western railroads for volumes

[2] *See* (HC) Brooks Visuals Workpaper.xlsx, tabs "Figure 2," "Figure 2 Data Dictionary," "Figure 2 Raw Data," and "Figure 2 Map Support."

[3] *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points," cell F5.

moving to Chicago and competition among Eastern carriers beyond Chicago provides producers and receivers with multiple transportation and sourcing options that help discipline prices.

27. These NS-served destinations cannot easily be replaced by CSX-served ones.

[redacted] Those terminals mostly serve local and regional distribution in the Southeast. Because the two groups serve different markets and different end users, a shipper or receiver whose product must reach a New York area terminal cannot simply switch to a CSX-served southeastern terminal if rates or service on the NS route get worse. That makes competition among Western carriers for the haul to Chicago, where CPKC now competes, the main check on rates for this traffic.

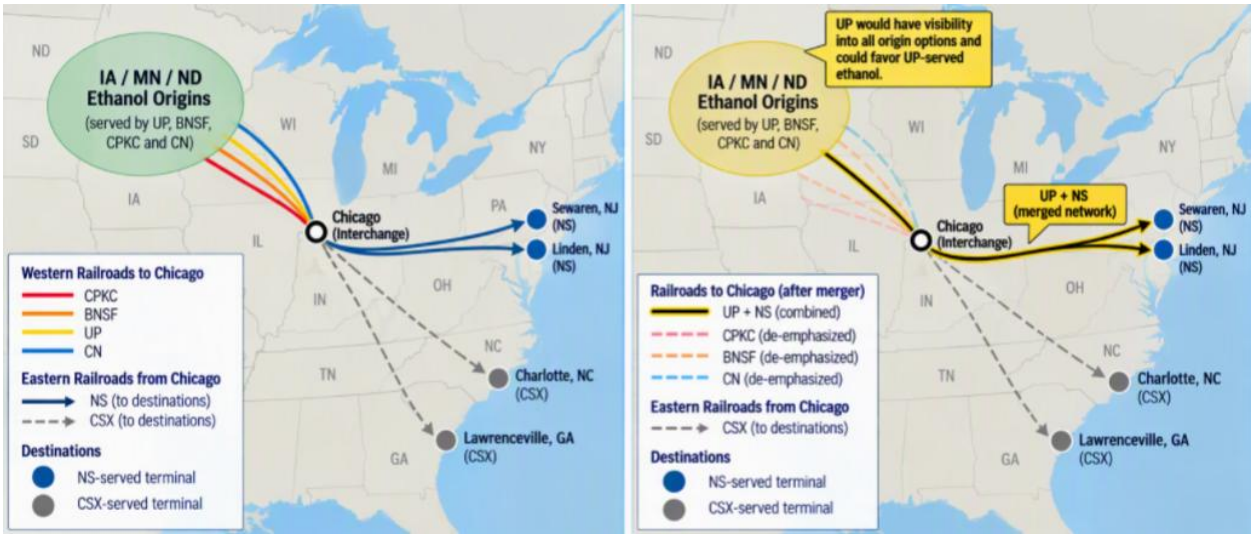
28. The proposed transaction puts that check at risk. CPKC's NS-bound and CSX-bound ethanol both come from the same origins in Minnesota, Iowa, and North Dakota and are handed off at Chicago. UP has a large footprint in those same regions. After the merger, UP-NS could offer single-line service from UP-served origins straight to NS-served destinations. CPKC and the shippers on its lines would then have to compete against that service while relying on interchange with the merged carrier at Chicago. In a merged UP-NS system, the incentive would be to move NS-destination ethanol from UP-served origins rather than CPKC-served ones. That could push CPKC-origin volumes out of these destination markets. Since CSX-served destinations are not a real alternative for this traffic, receivers at the NS terminals would have few ways to respond.

29. Following a merger, UP would have visibility into the entire movement and could capture the full value associated with controlling the route from origin to destination. [redacted]

[redacted] The proposed transaction thus limits market access for ethanol producers served by competing railroads while reducing transportation options available to East Coast blending and storage terminals.

30. The likely anticompetitive effect of the merger on these lanes is illustrated in Figure 3 below.

FIGURE 3[4]
IMPACT ON ETHANOL SHIPMENTS TO NS-SERVED REGIONS OF EAST VIA CHICAGO



(c.) Chemicals and Plastics Moving to NS Destinations.

31. Chemicals also face significant origin displacement risk. CPKC currently interchanges approximately [redacted][5] annual carloads of chemicals traffic with NS, primarily

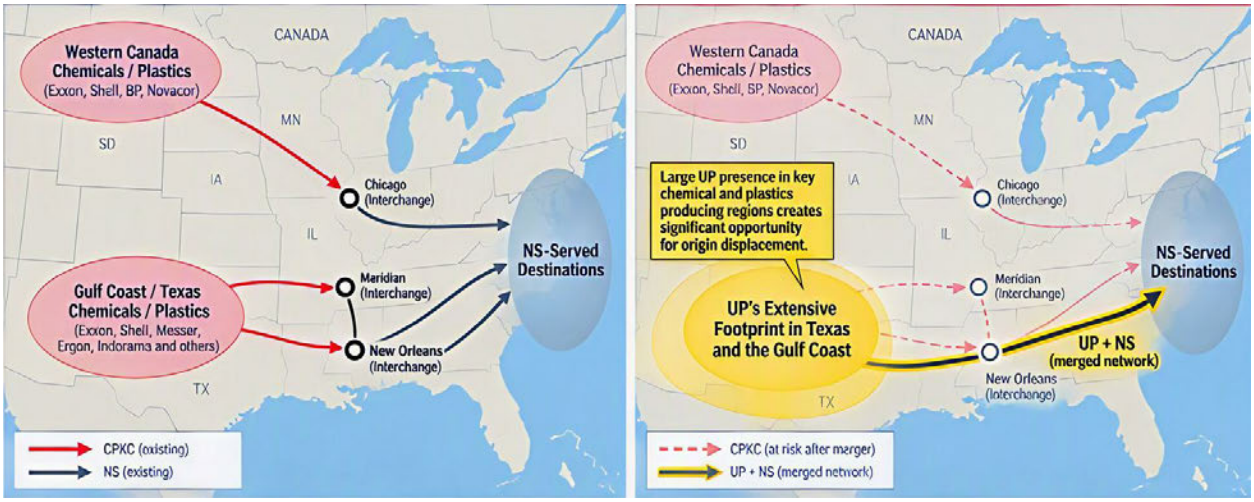
[4] *See* (HC) Brooks Visuals Workpaper.xlsx, tabs "Figure 3," "Figure 3 Data Dictionary," "Figure 3 Raw SCRS," "Figure 3 Raw CPKC Waybill," and "Figure 3 Map Support."

[5] *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points," cell F6.

from origins in the Gulf. Given UP's extensive origin network in both commodities, a combined UP-NS would likely favor UP-origin traffic, reducing the transportation alternatives that exist today through interline service. [redacted]

32. The likely anticompetitive effect of the merger on these lanes is illustrated in Figure 4 below.

FIGURE 4[6]
IMPACT ON CHEMICALS SHIPMENTS TO EAST



(d.) Forest Products Moving to NS Destinations.

33. Forest products also face significant origin displacement risk. CPKC currently interchanges approximately [redacted][7] annual carloads of forest products with NS, primarily from Louisiana origins. A combined UP-NS would likely favor UP-origin traffic, reducing the

[6] *See* (HC) Brooks Visuals Workpaper.xlsx, tabs "Figure 4," "Figure 4 Raw CPKC Waybill," "Figure 4 Map Support," "Figure 4 Data Dictionary," and "Figure 4 Raw UP Footprint."

[7] *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points," cell F7.

transportation alternatives that exist today through interline service for forest products from jointly served sites such as [redacted]

(e.) Grain and Feed Ingredients Moving to Eastern Consumers.

34. The same dynamic can arise for grain and feed ingredients moving to Eastern consumers such as poultry and livestock feeders, including feed grain, soybean meal, DDGS, and corn sources from the West. UP will want to control grain moving into the East, and it will have the power to do so, depriving NS-served receivers of the optionality that supports more competitive outcomes. CPKC currently interchanges approximately [redacted][8] annual carloads (FY 2025 basis) of grain and grain products with NS, with approximately [redacted][9] moving through Chicago. This wheat originates primarily in Minnesota, Nebraska, and the Dakotas and moves to NS-served milling destinations across Pennsylvania, New Jersey, North Carolina, South Carolina, and other northeast locations. UP also has significant wheat origination locations in Kansas and Nebraska serving Eastern milling markets. Similar to the concerns identified for frac sand and ethanol, a combined network would give UP the ability and incentive to favor its own origins for movements to these Eastern destinations, potentially displacing CPKC-served origins and reducing the competitive sourcing and routing options available to Eastern receivers. That would also reduce competitive outlets for farmers and grain producers in CPKC-served regions.

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[8] *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points," cell F8.

[9] *Id*. at cell H9.

(f.) Domestic Intermodal Moving Between Dallas Market and the East Coast.

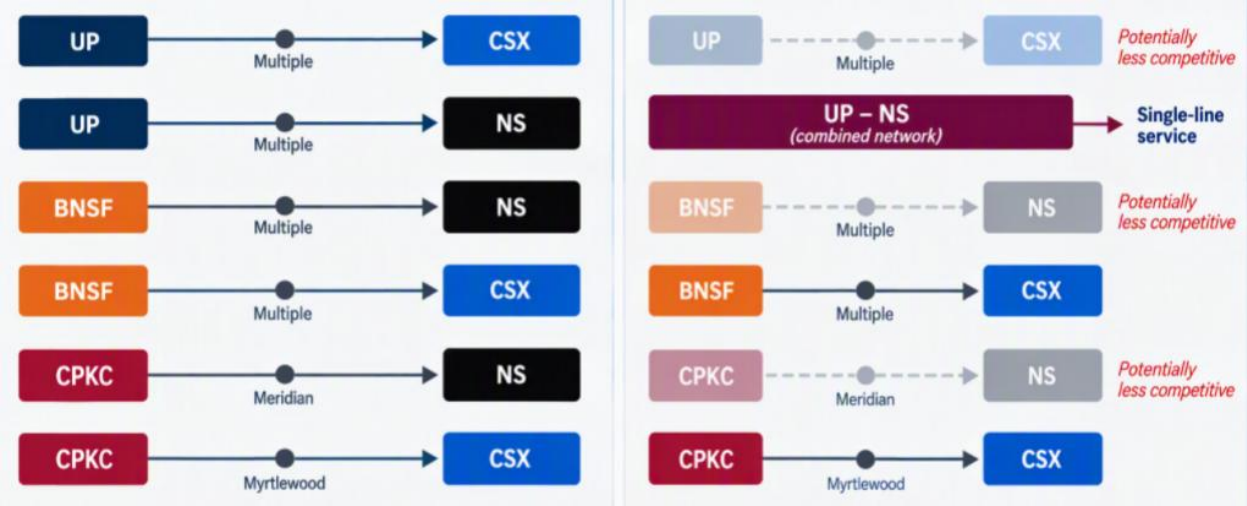
35. Domestic intermodal traffic moving from the Dallas market to East Coast stations, for shippers such as [redacted] faces the same risk: a combined UP-NS could control the routing decision and keep that traffic on its own network. The same is true in the other direction for traffic originating at Atlanta and other population-dense East Coast stations, for shippers such as [redacted] Here, the routing decision typically rests with intermodal marketing companies and other channel partners, which choose among competing rail options by lane. That partner optionality is what disciplines the railroads. Schneider's choice is illustrative: although a UP channel partner, Schneider (a North American truckload and intermodal carrier) elected to move traffic on CPKC's Mexico Midwest Express, a choice available only because Schneider recognized the potential value of CPKC service to and from Mexico. Schneider's letter filed with the Board on November 11 confirms the importance of this optionality. Schneider says that it "today negotiates with at least two major rail providers in each relevant geography." Although Schneider also says that "that competitive choice will remain following the transaction," I am concerned that Schneider is overlooking an important aspect of the future competitive dynamics after a UP-NS combination.[10] If the UP-NS merger is approved, in the future when rail customers like Schneider are looking to negotiate with two railroads in the East and two in the West, they will find that they have to negotiate with Omaha for a UP-NS service and have no realistic way to combine a legacy-NS network in the East with BNSF in the West, or a legacy-UP network in the West with CSXT in the East. A combined UP-NS would remove two independent railroads from this market at once, reducing alternatives. A

[10] Schneider National Carriers, Inc. Statement in Support of the Proposed Union Pacific and Norfolk Southern Merger, Finance Docket No. 36873 (filed Nov. 11, 2026) at 2-3.

combined UP-NS could steer its channel partners to UP-NS single-line routings. For smaller intermodal marketing companies, which often depend on access to railroad-owned equipment in the EMP and UMAX pools, UP-NS also would have incentives to eliminate or degrade the UMAX container program that supports UP-CSXT interline service, for the same reasons that UP kicked CPKC out of the EMP program when CPKC started competing with it for Mexican traffic.

36. The likely anticompetitive effect of the merger on these lanes is illustrated in Figure 5 below.

FIGURE 5
IMPACT ON DOMESTIC INTERMODAL SHIPMENTS TO EAST: SIGNIFICANT REDUCTION IN AVAILABLE ROUTING OPTIONS TO SHIPPERS



2. Experience Shows that Post-Merger UP Will Be Far Less Interested in Supporting Interline Services with CPKC and Other Railroads

37. There is no doubt that UP's expansion of its network through the acquisition of NS will sharply curtail the combined carrier's incentive to support efficient interline options. UP

said this itself in 2001 when the Board's new merger rules were under consideration.[11] And UP's CMO, Kenny Rocker, said it again in 2022 when CP proposed a combination with KCS.[12]

38. CPKC has first-hand experience with UP in situations where UP has a choice whether to support interline services that might compete with its single-line options over all or some part of a route—analogous to the situation the UP-NS merger will create for virtually every East-West lane in the United States. The pattern is stark: UP does not cooperate, and instead, UP uses every tool in its toolkit to remove such options—and the competitive dynamic they would have fostered—from the customers' set of choices.

39. The Board should also consider how UP has responded to competition from CPKC's expanded network by forcing traffic over gateways that give UP the longest possible haul. Traffic moving to the Gulf states from CPKC origins in the Upper Midwest provides a prime example. When CP was independent of KCS, the most efficient handoff from CP to UP was at St. Paul or Chicago.

40. The *CP/KCS* combination gave CPKC the ability to offer improved services via its combined network deeper into the Gulf States. There are many cases where CPKC sought to offer solely-served UP customers a better economic deal by taking their traffic further on the CPKC network to an interchange with UP closer to the destination—e.g., Kansas City, Shreveport, Baton Rouge, or Beaumont—but UP acted to thwart those initiatives. UP effectively

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[11] Union Pacific's Reply Comments on Proposed Merger Rules, *Major Rail Consolidation Procedures*, STB Ex Parte No. 582 (Sub-No. 1) (filed Dec. 18, 2000), at 8 ("The Board will choose between a future in which two huge transcontinental systems develop single-line services in isolation from each other and a future in which all remaining railroads strive to develop more efficient services over remaining interline routes.").

[12] *Canadian Pac. Ry. Ltd. – Control – Kan. City S.*, Finance Docket 36500, UP Comments, Rocker/Turner V.S. at 2, 10-11 (filed Feb. 28, 2022) ("A combined CPKC would be emboldened to *force* shippers to use CPKC single-line routes, rather than *allow* them to use competitive interline routes with UP and BNSF.") (emphasis in original).

forced the interchange to remain at St. Paul or Chicago, where UP would retain its long haul despite the customer being better off with a different interchange.

41. The specific facts vary from case to case, but the basic pattern is this: to encourage the shipper to use more of CPKC's network, CPKC offered to charge less per mile for movement via a more southerly point of interchange with UP. Had UP simply maintained the rate per mile it charged for movement on UP south of St. Paul or Chicago, the shipper would have realized a rate reduction. Instead, UP took action to make any gateway shift uneconomical for the shipper.

42. Sometimes UP demanded *the same* rate division for movement via the more southerly gateway. For example, in 2025, UP thwarted CPKC's effort to [redacted]

The CPKC-Baton Rouge route would have materially shortened the total transit time, saving the customer money by reducing privately owned equipment cycle times. UP responded by quoting the *same* rate for the 79-mile haul as it had historically charged for the 1,065-mile haul. That pricing decision shocked the shipper which reported that UP had previously—until the *CP/KCS* transaction—published much lower tariff rates for movements from Baton Rouge to the destination (reflecting the limited nature of the services UP would provide via that routing). By demanding the same rate for nearly 1,000 fewer miles, UP prevented the shipper from realizing the savings available from CPKC's proposed route. With UP demanding its Chicago rate for a Baton Rouge interchange, CPKC would have had to *charge zero* for the 1,000 miles the traffic

would move on CPKC's network to get to Baton Rouge. Not surprisingly, the effect was to prevent the shipper from benefitting from CPKC's proposed rate reduction.

43. UP has used the same tactic in other instances to resist routing shifts that would shorten its long haul. For example, in July 2025 for [redacted] (a destination served by both UP and BNSF), UP gave the same [redacted] division over Kansas City and St. Paul for through-rate pricing. In many other cases, UP has maintained some differential between the rate it offers for a shorter length of haul but sharply increased the premium (in rate-per-mile terms) it demanded for movement via a more southerly gateway relative to the rates it charged via St. Paul or Chicago. To illustrate, in one situation, UP nearly doubled the rate-per-mile premium it charged for movement via Kansas City instead of St. Paul from [redacted] per mile to [redacted] per-mile to keep that traffic moving through St. Paul. In another, UP quoted a rate for movement via Dallas that was over [redacted] per mile (for a UP haul that would still have been more than 500 miles), while offering a rate via Chicago of [redacted] per mile. The practical effect was to preclude the customer's access to any route other than one via the Chicago gateway where UP would retain its long haul.

44. There are many other similar examples. All of these instances make clear to me what will happen if UP is allowed to control NS. UP will not be eager to continue supporting CSXT initiatives to compete for traffic to/from a legacy-NS customer in the East via an interchange with UP, or BNSF initiatives to compete for traffic to/from a legacy-UP customer in the West, just like UP has not been eager to support CPKC initiatives to compete for traffic with UP's longer-haul routes. Whereas UP or NS today have no incentive to manipulate which carrier on the other side of a gateway wins the traffic, after the merger, UP's incentive to keep the traffic

on its own network will be strong, and CPKC's experience shows the lengths to which UP will go to force that outcome whether or not it is in the best interest of the customer.

45. Another illustration of UP's approach toward railroads that have a competitive relationship with UP in some lanes is UP's decision in 2022 to kick CP (on the eve of its combination with KCS) out of the EMP container program. EMP is a shared pool of railroad-owned domestic containers that move freely across participating railroads, and CP was a contributing member. Through EMP, CP and UP jointly served domestic intermodal moves between UP-served U.S. points and Canada, and CP handled the largest portion of EMP volume moving to/from Canada. This decision effectively eliminated the CPKC domestic intermodal option from interline lanes connecting Canada with the UP network because UP now saw CPKC as a more formidable competitor for shipments between Mexico and the United States. The effects followed quickly thereafter. Domestic volume shifted from CP to CN, with Hub Group making CN its primary Canadian carrier. UP-CP and NS-CP volumes disappeared, and I believe substantial rail traffic opportunities went unmet as a result of this self-serving move by UP. Shippers were left with fewer carriers, weaker rate competition, and less container capacity in these lanes.

46. UP had the leverage to do this because it knew that CPKC had no effective options. UP controlled roughly 80,000 of the approximately 111,000 railroad-owned domestic containers in North America (and roughly 20,000 EMP containers that were in storage at the time). UP never asked CP to pay more to use the boxes and never tried to negotiate different terms; it simply cut off CP's access, stripping capacity from the market and many customers. It is likely that UP will do the same with UMAX following the merger, which supports CSXT's participation in domestic CSXT-UP intermodal lanes. Without access to a domestic CSXT box

program for small and medium-sized shippers, UP and its EMP program would become even more dominant in East-West intermodal lanes.

47. This is not to say that UP and NS never cooperate with CPKC to support effective and competitive interline services. They do, but only when it suits their financial interest, typically only when they do not have *their own* long-haul routes reaching all the way (or a greater portion of the way) between origin and destination. Some of that cooperation might well continue after the merger, because it would continue to serve UP's interests. For example, UP and CPKC cooperate to move grain and potash from origins that UP does not serve to destinations in the Pacific Northwest that CPKC does not reach. And UP, CPKC, and NS cooperate to offer best-in-class intermodal service between California and the Southeastern states by tapping a route (the Meridian Speedway) that UP does not own. In lanes like these, UP needs CPKC's participation to handle the traffic at all, and the merger would not change that.

48. Many other interline services, however, exist only because NS today has every incentive to cooperate with CPKC, and those services likely would not survive the merger. These include the services discussed above, such as NS's close cooperation with CPKC on interline shipments of ethanol and frac sand from origins NS does not reach, to destinations CPKC does not reach. After the merger, UP's and NS's incentives to support interline initiatives will be sharply diminished when the Transcon UP can force all of this traffic to its own network without involving interline partners. CPKC (and other railroads) will have diminished ability to compete for these traffic opportunities, but the real losers will be rail customers who would have benefited from that competition for one or more legs of their business.

B. The Merger Will Result in UP Becoming More Indispensable than UP or NS Pre-Merger for Many Shippers, Reducing Shippers' Bargaining Power, and Leading to Worse Marketplace Outcomes

49. The combination of UP's and NS's networks would make the resulting UP Transcon a much more important and unavoidable part of most rail customers' portfolio of transportation providers. To put it simply, it would be much harder for shippers to avoid having to deal with *both UP and NS* than it currently is to avoid UP *or* NS. UP would exploit its greater bargaining power to the disadvantage of rail customers.

50. Post-merger UP would have many sources of additional leverage. For a great many shippers that already have facilities solely served by UP, UP would augment its power by adding facilities solely served by NS, making the customer more dependent on UP. In addition, for customers on the legacy UP, UP would acquire the ability to control their access to parts of the legacy-NS network that the customer views as distinctly superior in meeting its needs. And, of course, for customers on the legacy-NS, UP would have a new ability to wield its control of their access to the legacy UP network. This leverage would take many forms, including access to geographic regions, access to alternative sources of supply of key commodities, and access to alternate destinations for such commodities. On top of all this, by virtue of its size and network scope UP would account for a vastly greater overall share of wallet or book of business it holds with a customer.

51. Automotive customers provide key examples of how the merger would increase customer dependence on UP. GM's Wentzville, MO assembly plant is directly served by NS rather than UP. Therefore, GM has the ability to rely on NS as an independent railroad to originate traffic from this Wentzville facility, even though GM also relies on UP elsewhere in its automotive network, including at western destination facilities. Following the merger, the NS rail access serving Wentzville would be controlled by UP. As a result, GM would no longer have

NS as an independent railroad option for traffic originating at Wentzville and would instead have to work with the combined UP-NS for that access.

52. Another example is the Rivian manufacturing facility in Normal, IL, which is directly served by NS rather than UP. Today, Rivian relies on NS independently of UP for direct rail service to and from the facility. Following the merger, that NS access would come under UP's control, *i.e.,* even though Rivian is not directly served by UP at Normal today, it would become dependent on the combined UP-NS for the rail access that NS independently provides today.

53. [redacted]

54. Stellantis's plants in the Detroit Shared Assets Area present a related concern. On paper, those plants are served by Conrail. In practice, CSXT handles its share of the volume by trucking it to CSXT's New Boston, MI facility, while NS handles the volume for its own destinations and forwards traffic directly from the plants to UP, BNSF, and CPKC. After the merger, UP would control NS's role at these plants and could favor its own routes over BNSF, CSXT, and CPKC options for Western and Mexico destinations.

55. These examples show the broader concern for auto customers. Where an assembly plant is served by NS today, the merger would not simply make UP a larger railroad, it would eliminate NS as an independent provider of the customers' existing rail access. For those facilities, customers that today can negotiate with and obtain service from NS independently of UP would instead have to negotiate with the combined UP-NS, increasing UP's leverage over their transportation options.

56. Armed with its increased post-merger leverage, UP will be able to demand more from its customers and they will have fewer ways to avoid that result by taking their business elsewhere. Consider the situation where shippers have solely-served facilities on both UP and NS today. Today, a facility solely-served by NS is not beholden to UP for its rail transportation options, and vice versa. The customer can credibly tell NS (or UP) that anticipated volumes to/from the captive plant will be influenced by the reasonableness of the rate and service that NS is offering, because NS does not control what the shipper pays at plants served by UP (and vice versa). After the merger, that would change and the shipper would have no choice but to negotiate with Omaha for all of these captive facilities.

57. I expect that many chemical and plastics producers with Gulf Coast facilities, automobile manufacturers like GM, and many others, would be vulnerable to enhanced UP market power in precisely this way. Post-merger, UP could drive an even harder bargain, knowing that the options these shippers had to shift traffic from UP-served facilities to NS-served facilities would achieve nothing in a negotiation with UP.

58. For example, UP today is the sole rail carrier at a number of ExxonMobil facilities in the West and along the Gulf Coast, including Parachute, CO; Anchorage, LA; Baytown, TX; Chiasson, TX; Amelia, TX; Dayton, TX; & Mont Belvieu, TX. NS, in turn, is the

sole rail carrier at ExxonMobil's Paulsboro Refinery in Gibbstown, NJ. Today, ExxonMobil deals with UP and NS separately, and neither railroad can use its hold over Exxon's captive traffic to influence how Exxon routes traffic on the other's network. The merger would change that. A combined UP-NS would control Exxon's captive facilities in both the East and West, giving it considerably greater leverage over Exxon than either railroad has today and can use that leverage to capture Exxon traffic it does not serve today. CPKC originates substantial volumes of Exxon plastics at Baton Rouge, a facility that UP does not reach. On several major plastics lanes, CPKC hands that traffic off at New Orleans, where [redacted] After the merger, UP-NS can link rates and service at Exxon's captive facilities, on both legacy-UP and legacy-NS lines, to Exxon routing that traffic over NS. Exxon would have little choice but to comply, and CSXT would lose the traffic, because UP-NS controls Exxon's captive business, not because of better service or rates. Likewise, [redacted] and UP-NS could use the same leverage to push that traffic onto NS.

59. The same dynamic applies more broadly than UP's expansion of its solely-served facilities. UP will also come to control the available rail transportation options for access to alternative origins and destinations across both the UP and NS networks. Shippers' ability to discipline UP by turning to an alternative source of supply served by NS (or threatening to do so) would go away when UP controlled the pricing for NS-served origins as well.

C. Post-Merger UP Will Have a Greater Ability to Compel Customers to Choose UP Services Even Where Competitive Alternatives Continue to Exist

60. In addition to directly reducing shippers' bargaining leverage, the merger would also give UP a greater ability to extend UP's market power to a broader array of traffic as to which customers would in theory retain competitive options. In other words, even where

customers might have competitive rail options for some subset of their traffic, UP's expanded reach would give UP new power to undermine shippers' access to those options as well.

61. CPKC has extensive experience with this phenomenon today. UP is able to use its often-dominant position in the West to demand that shippers deal with UP exclusively. This is true even where CPKC might offer services in certain lanes that are objectively superior from a pricing or service standpoint, but CPKC nonetheless is frozen out by UP's multi-lane bundled contracting practices. For example, UP has considerable leverage over Westlake. While Westlake's Lake Charles/Mossville facility is competitive with BNSF and CPKC, UP is the only rail option at several other Westlake facilities including Allemania, Dayton, Longview, McPherson, and Kellogg. So, even though CPKC can compete for certain Westlake moves, UP has a significantly broader relationship and captive business it can use as leverage. Another example is Exxon. UP is the sole rail carrier at many Exxon facilities, including Baytown, Mont Belvieu, Dayton Storage, and others. Even though CPKC competes for Exxon business at other locations, UP will have the ability to bundle across a much larger portfolio and influence traffic that would otherwise be competitive.

62. This kind of leveraging of UP's (or NS's) strong market position in one area to force outcomes in another area where there would otherwise be more competition (effectively denying customers the benefit of that other competition) is commonplace and takes many different forms. Sometimes UP will mitigate its demand for high rates for service to a solely-served facility on the condition that competitive origins/destinations are included in the bundle. Sometimes contracts contain incentive provisions that are triggered by aggregate volumes or market shares that provide strong incentives for shippers to give UP or NS all of their volumes, including in cases where the shipper might otherwise choose an alternative rail transportation

offering for some part of its portfolio. And the leverage need not be explicit: shippers reasonably fear that turning to a competing railroad for competitive traffic would invite retaliation on their captive traffic, leaving them worse off overall.

63. The UP-NS merger would magnify the universe of situations where this kind of foreclosure can occur. The merger would add more NS-served locations and lanes to relationships like Westlake's and Exxon's, and, more broadly, would increase nearly every shipper's "touch points" with a UP Transcon. That would massively expand the scope for UP to hold captive rate and service offerings hostage to shippers acquiescing in UP's preferred outcomes, even where BNSF, CSXT, or CPKC alternatives exist, further reducing shippers' ability to take advantage of competitive rail options to improve their rate and service outcomes. These effects would be pervasive.

D. UP and NS Will No Longer Compete with One Another to Carry Traffic Further on Their Own Network

64. Finally, I would highlight another, perhaps under appreciated, way in which railroads compete even when they do not serve the same origins or destinations. In some situations, two connecting rail networks have alternative routes (via alternative gateways) that are reasonably equivalent in their ability to move shippers' traffic from origin to destination, but which offer the participating railroads very different profit opportunities.

65. This issue is analogous to the situation I describe above where UP resisted CPKC's efforts to offer shippers a better deal by moving traffic farther on CPKC's network via a more southerly gateway for interchange with UP. CPKC was motivated in that case by the potential to earn hundreds of dollars of additional contribution on every carload. In effect, CPKC was competing with UP to serve the portion of the haul between St. Paul and Kansas

City/Shreveport/Baton Rouge/Dallas by offering the shipper a better deal for moving the traffic over those miles.

66. The same competitive dynamic plays out all of the time when two connecting carriers connect at alternative gateways, as UP and NS do. In the UP-NS context, there are numerous opportunities for NS and UP to seek greater profits for themselves by handling a greater portion of the origin-to-destination movement. An obvious example is traffic between Texas and the Northeast and Mid-Atlantic states. UP would earn more via St. Louis or Chicago whereas NS would earn more via New Orleans. Each would like to win the contribution associated with moving the traffic farther on its own network. A way of thinking about this is to see that UP and NS compete for the extra miles that interchange over a gateway giving them a longer haul would provide: (a) for NS's long haul, the miles roughly between New Orleans and Birmingham, AL; and (b) for UP's long haul, the miles roughly between Livonia and East St. Louis.

67. This form of competition would be destroyed if UP and NS were allowed to merge. They would no longer compete against one another for the longest portion of their haul. UP would get 100% of the haul no matter what. And shippers would thus have even less ability to negotiate for better rates and service.

E. The Board Should Not Be Misled by the Silence of Some Shippers, or the Views of Some Supporting the Merger

68. The kinds of competitive concerns I have outlined here are not inventions of mine or of others at CPKC. They reflect themes we have heard from our customers. I do not know how many of those customers will end up filing comments in this proceeding or what those comments will end up saying. I do know, however, that the customer concerns are very real, but there is also great fear in coming forward because, one way or the other, after this proceeding is

over, these customers will have to deal with today's UP or a much-expanded UP, and customers are very reluctant to say anything that might cause UP to be unhappy about what they said in this proceeding.

69. As a result, I expect that a meaningful number of shippers will make decisions to stand on the sidelines of this proceeding or perhaps even provide a letter of support, despite the fact that the transaction would have a devastating impact on the future competitive landscape of American railroading. I see these decisions falling into a number of potential categories:

- Some, especially smaller, shippers will be so scared of the repercussions for their future relationships with UP, NS, or UP-NS if they oppose the merger, that they will never state publicly (in a way that can be traced back to them) their honest view of the impact of the transaction (retaliation fears);
- Some may fear rate increases or other adverse outcomes, but take solace in the fact that those impacts will affect all of their competitors as well, so it would not be worth burning bridges with UP-NS to stake out a public position on the transaction;
- Some may want to minimize expenses and therefore rely on associations to which they belong to articulate their concerns (protection through trade associations, industry associations, etc.);
- Some may be focused on short-term time horizons and willing to accept a favorable multi-year contract with UP in exchange for their silence or support of the merger, and will be less concerned about the long-term implications of the transaction; and

- Some, including large customers, may already be so dependent on UP that the benefits of supporting the transaction in exchange for UP agreeing to a favorable contract, or forbearing from demanding short-term rate increases, is too valuable a concession to pass up, especially in light of the alternative of facing retaliation from UP.

70. I have heard these concerns personally from a number of customers, and my team has heard them from many more. Customers have articulated some version of each of these explanations for their decisions not to participate in this proceeding directly, despite conveying to CPKC their view that this merger is not in the public interest.

II. THE UP-NS COMBINATION IS NOT NECESSARY TO ENABLE RAILROADS TO DELIVER COMPETITIVE OFFERINGS CAPABLE OF GROWING RAIL TRAFFIC

71. Fortunately, the Board need not expose rail customers and the U.S. economy to the anticompetitive risks of a UP-NS merger. The merger does not need to be approved in order for America to have a first-class freight rail network—it already does. And there is no need for a merger to support the delivery of rail transportation services—whether single line or interline—to meet the needs of rail customers.

A. The Fact that UP and NS Are Independent Today Is Not Why They Have Faced Growth Challenges in Recent Years

72. Applicants are wrong to suggest that the absence of a transcontinental U.S. railroad is holding back the American economy or a meaningful impediment to traffic growth for UP, NS, or other U.S. railroads. Some of the challenges facing railroads like UP and NS are real, but allowing further consolidation is not the solution, and it is certainly not the *right* solution.

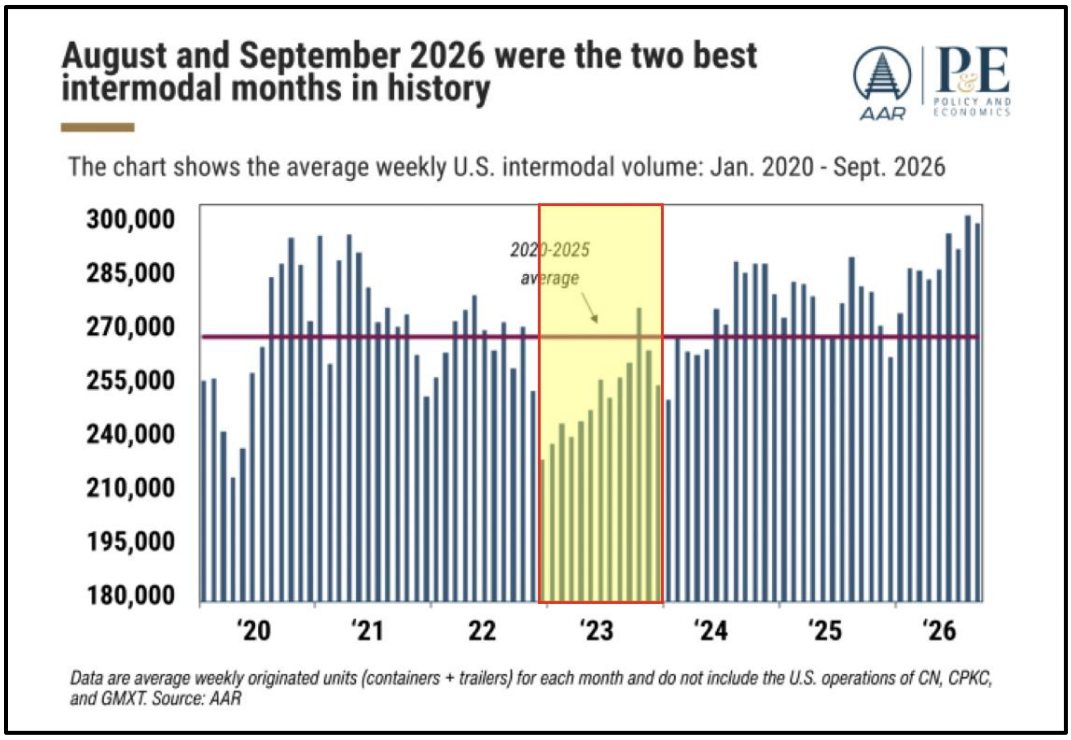
73. The Application presents a narrative built upon the traffic trends leading up to 2023, which is the "base year" on which Applicants' projections about the growth potential of

their proposed combination are based. Accordingly, I offer a few thoughts about how the Board should think about UP's and NS's growth trajectories leading up to 2023. For a whole host of reasons, some macroeconomic and some self-inflicted, 2023 was a particularly poor year for rail traffic levels at UP and NS. Rail traffic volumes are up substantially since then, including on UP and NS.

74. Some of the reasons for growth between 2023 and today are macroeconomic. For intermodal traffic in particular, high diesel fuel prices, coupled with the post-COVID tightening of the truck driver market, have provided a highly favorable environment to attract truck traffic to railroads, and the data backs up this causation. Rail intermodal solutions are more economically attractive in these conditions, as shown in Figure 6 below. As AAR's Chief Economist summarized in his October 2026 newsletter, "[r]ecord-high diesel prices, an exodus of truck drivers driven by both market and regulatory factors, and generally strong railroad service levels have made intermodal an increasingly attractive option for shippers."[13] AAR's chart depicting this growth is Figure 6 below, which graphically depicts how different 2025 and 2026 have been relative to 2023.

[13] AAR Rail Industry Overview (Oct. 2026) at 1.

FIGURE 6[14]
INTERMODAL GROWTH SINCE 2023 DRIVEN BY MACROECONOMIC FACTORS

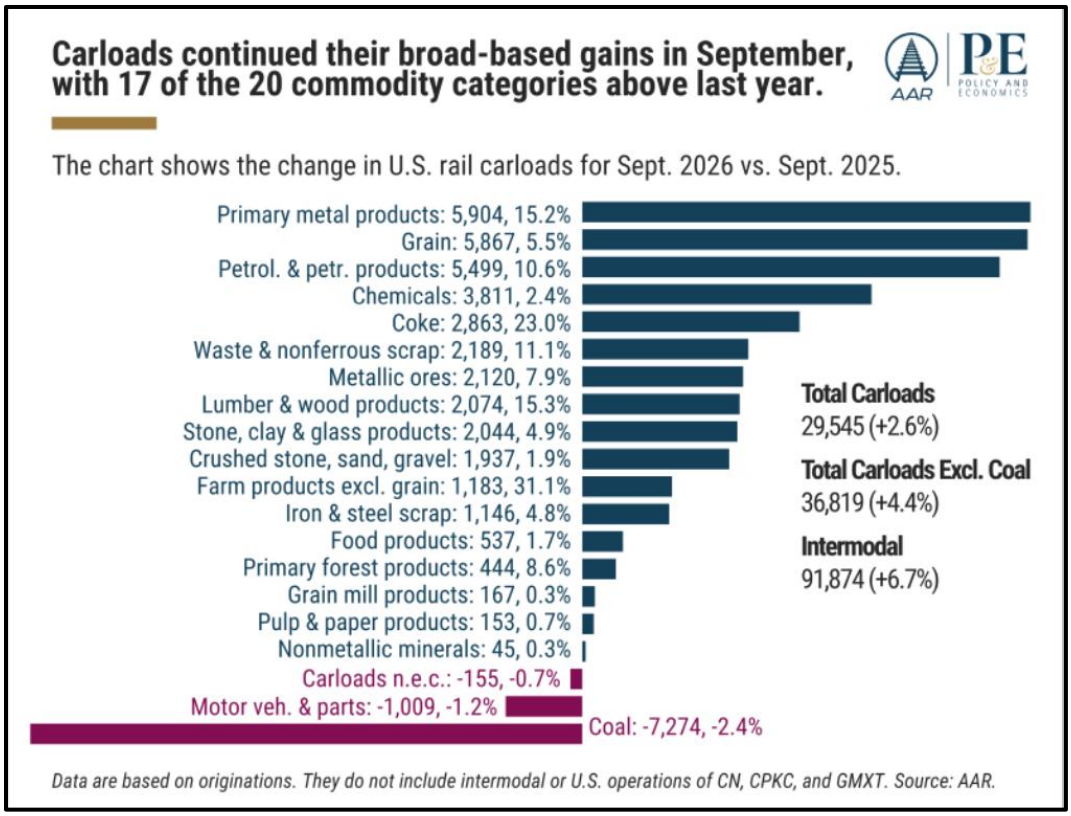


75. Growth since 2023 has not been limited to intermodal, as AAR's reporting shows. Figure 7 shows recent carload growth across a broad base of commodities. The report calls out chemicals in particular: "[c]arloads of chemicals rose in September for the eighth time in the past nine months. They averaged nearly 33,200 per week in September, which is a September record. Chemical carloads are on pace to set a new annual record this year. U.S. chemical output is being spurred by manufacturing growth and by low natural gas prices relative to elsewhere in the world."[15]

[14] AAR Rail Industry Overview (Oct. 2026), at 1.

[15] *Id* at 2.

FIGURE 7[16]
RECENT CARLOAD GROWTH



76. Importantly, this growth has come without there being any rail merger and without any radically new "single-line" rail services in the market. Based on my long experience, this is strong evidence that the current structure of North American railroading—with two major railroads in the West and two in the East—is not holding back growth. To the contrary, as I explain below, that structure actually supports more growth by encouraging innovation and initiatives to improve intermodal services and attract more freight to the rails. The services interline railroads are able to provide are fully capable of meeting customer needs, and when macroeconomic factors are favorable, customers switch to rail in large numbers as the recent trends demonstrate.

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[16] AAR Rail Industry Overview (Oct. 2026), at 3.

77. Some of the reasons why 2023 is a particularly poor benchmark of railroads' capabilities—and especially so for UP and NS—involves what I would characterize as self-inflicted wounds flowing from decisions that UP and NS took in relation to how to run their railroads.

78. Any customer choosing a transportation provider will ask a basic set of questions: can this provider's offerings meet my needs, do so reliably, and do so at a price that is economical? As of 2023, many customers would have looked at UP's and NS's recent track records and struggled to see the value proposition associated with their services. Why? Not because offerings in transcontinental lanes required a handoff between independent railroads. (As I explain below, we know from experience that such handoffs do not need to get in the way of fast and reliable transit times that shippers expect.) Instead, a potential customer in 2023 would have considered the repeated waves of service problems at both railroads over the prior decade and questioned whether they could be counted on to provide reliable service. And a potential customer in 2023 would have looked at how these railroads priced their services and persistently increased those prices over time, and asked whether they were an economical choice, or could be counted on to remain one over time as their rail rates escalated year after year. Without confidence about the answers to these questions, customers would rationally and rightfully have hesitated to make the investments necessary to switch from truck options that were already meeting their needs to a speculative new rail option.

1. UP's and NS's History of Unreliable Service

79. Let's start by examining service reliability. Foundational to CPKC's success has been our commitment to delivering what we promise to shippers. For a customer, reliable service means more than a published transit time. It means shipments that arrive within the

delivery window promised, equipment that is returned on schedule for reloading, first-mile and last-mile handling that works with the cut-off times and hours at the customer's docks, freight that arrives safely and undamaged, and a railroad that recovers quickly and communicates clearly when something goes wrong. Above all, it means trust that the railroad will keep those promises year after year. UP and NS have track records that, understandably from shippers' perspectives, have led to a reluctance to make the commitment and investments necessary to shift their traffic from tried-and-true truck options to UP and NS rail options.

80. The collapses in service reliability at UP and NS in recent years are well known across the industry. In 2014, of course UP and NS suffered along with the entire industry from the congestion associated with the Polar Vortex. At both UP and NS, however, challenges continued over the ensuing decade. To a significant extent, service problems at UP and NS stemmed from their particular approach to implementing Precision Scheduled Railroading ("PSR") (which in their approach was centered on running fewer, longer trains on fixed schedules and cutting locomotives, railcars, yard capacity, and crews to reduce operating costs), which left them shorn of sufficient resources to keep their networks fluid through exogenous shocks like post-COVID crew shortages, disruption from the East Palestine episode, and others. Consider what those years meant for a rail customer weighing a transition from trucks to rail service provided by UP, NS, or UP-NS interline service: shipments that could not be tendered at all, deliveries that arrived days late, railcars and containers stuck in yards instead of cycling back for reloading, and production lines and supply chains left waiting on freight that was not showing up reliably.

81. For a customer examining this track record and asking herself what she could expect from next year's UP or NS, it is not hard to understand why so many made choices not to

switch to rail. No railroad can expect to attract new traffic from trucks or grow its volumes with rail-served customers in an environment where shippers have well-founded concerns about the railroad's ability to deliver the service level it had promised that shippers require to meet their needs, and that trucks are consistently capable of providing. The UP and NS track records over the decade or more leading up to 2023 gave shippers many well-founded concerns about the ability of these railroads to meet customer needs.

82. CPKC experienced the unreliability of UP and NS service firsthand through our interactions with UP and NS on interline traffic flows. CPKC has seen multiple NS service disruptions impacting crude and frac sand customers, including [redacted] Locomotive shortages have resulted in trains being held for days; reduced equipment cycles and delays in product reaching customers; and, just recently (October 2026), Smart Sand has experienced delays in receiving empty equipment that can force plant shutdowns, resulting in lost production that in many cases cannot be recovered. The fear is on a wider scale, with a combined UP-NS network controlling approximately 40% of total North American rail miles, that the ability for service issues, including cycle-time delays and power shortages, could expand into serious repercussions for both shippers and interline railroads.

83. More recent experience has only reinforced the "muscle memory" of unreliable service. During late 2025 and early 2026, there were many red flags of another collapse in NS service reliability. CPKC saw spikes in the cycle times for the return of equipment delivered to NS in interchange, indicating a major decline in network velocity and associated difficulties in getting shipments into the hands of customers on a timeline that meets their expectations. These

problems were widely reported based on observable Board data.[17] As Chief Marketing Officer for a railroad that prides itself on building trust with customers based on our ability to deliver the service that we promise, it is no surprise to me that UP and NS have faced impediments to growth arising from their reputations for disappointment over the years.

2. UP's Emphasis on Price Maximization and "Growth" Through Price-Based Revenue Expansion Rather than Volume Gains

84. I have also been struck by UP's (and to a lesser extent, NS's) frequent public emphasis on growing by *increasing price* rather than by increasing volume.

85. When a railroad defines growth as growth in "revenue," there are two ways to achieve that goal: by charging higher prices for existing traffic or going after additional volumes and the revenues that come from them. Every railroad pursues a balance between these approaches. Price increases are often warranted as a reflection of inflation in the cost of providing services or to reflect the higher value of services that do a better job of meeting certain customers' needs. CPKC, for example, offers multiple tiers of premium services in certain lanes, enabling customers to choose the most expedited services at a premium price with associated service promises or a less expeditious (but still reliable) handling at a lower price point.

86. That being said, UP in particular has publicly positioned itself in the marketplace as adopting growth strategies that are heavily weighted toward price as opposed to volume growth. The examples are too numerous to mention of UP talking publicly about how it seeks to "maximize price" and its revenue growth through pricing increases in lieu of attracting new carloads to the railroad. Many of these statements are delivered to investors on earnings calls.

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[17] *See, e.g.*, Rick Paterson, "*NS Network Precarious; Needs Memorial Day Assist*," The State of the Rails (May 28, 2026), (Exhibit 1 hereto).

but customers receive these messages loud and clear. When UP delivers this message, customers understand the unspoken premise that UP can afford to raise prices because of its position in the market. UP's market position means that many of its customers have nowhere else to go.

87. CPKC has seen evidence of UP's price maximization approach over and over again when attempting to present customers with interline transportation service offerings that involve movement over both CPKC and UP. UP's insistence on a certain level of price has on many occasions been an obstacle to providing rail customers with proposals of interline transportation that meet their needs. From our vantage, UP appears to approach interline opportunities (and I presume single-line ones as well) with an eye towards extracting as much revenue as possible, rather than jointly designing an interline service that can win new traffic while earning a reasonable economic return. In my experience, when interline parties focus on service first and revenue second, the shipper and both railroads are left better off. That is not UP's approach.

88. Our attempts to work with UP on multiple occasions illustrate the point. On numerous occasions, UP's or NS's insistence on a certain price level was the obstacle that kept more freight from moving via interline routes.

89. To be sure, UP does not only increase price. Sometimes UP does lower its prices when necessary to avoid losing significant volumes to other railroads or other modes. For example, [redacted] to protect interline volumes. But the pattern we have seen is very clear. UP pushes price very aggressively, even when doing so stands in the way of attracting new traffic to the railroad.

90. In each of those instances, a focus on service first and revenue second would have supported a more competitive interline rate offer and a better opportunity to grow rail volume.

B. Railroads Do Not Need to Merge in Order to Provide Services that Better Meet Customer Needs Reliably and Economically

91. Tying these points together, it ought not to be surprising that UP and NS might have been frustrated with their volume growth trajectories as of 2023. They were doing extremely well financially, but their strategies and execution, coupled with macroeconomic setbacks, like COVID, had left them with less traffic than they might have preferred.

92. Nothing about their volume situation as of 2023 was a consequence of their operating independent rail networks rather than coming together as a single transcontinental juggernaut. Certainly real-world volume increases at UP and NS since 2023, on a pace that nearly matches what Applicants say their merger would achieve (starting from a 2023 base year that does not embed those increases), cannot be credited to any merger (or advance merger planning). Nor would a merger correct any of the impediments to growth that UP and NS faced leading up to 2023. So what explains those traffic increases?

93. The short answer is that, in addition to the macroeconomic trends I noted above, railroad transportation has proven itself capable of meeting customer needs when railroads focus on offering quality service at a fair price. And that proposition holds whether the rail services on offer involve only a single railroad from origin to destination or multiple railroads working together to offer an interline service. In either case, when those baseline conditions—quality services at a fair price—are present, they support growth whenever the macroeconomy is supportive.

94. To put a finer point on this idea, Applicants are wrong to suggest that a merger is the only viable pathway to increasing the role played by railroads in moving America's freight.

Growth comes from building services that customers want, which requires a reliable operating plan, competitive rate levels, customer outreach, and consistent improvement over time. CPKC's own experience shows how interline partners can work together effectively to meet demand where it exists and to stimulate demand by offering new, more effective transportation solutions. Interline offerings can be quite competitive with both single-line service and trucking, both operationally and commercially, and interline traffic opportunities can support investments made by multiple railroads working together provided there is sufficient density in the relevant lanes to support cost-effective and high-quality service.

1. CPKC's Experience Shows that Railroads Can Grow by Offering Interline Services that Meet Customer Needs

95. My discussion above highlights a key point about all of Applicants' claimed merger benefits. A merger is not necessary to achieve many, if not all, of those benefits, particularly potential post-2027 traffic gains associated with UP or NS, or both offering shippers a better value proposition independently or as interline partners working more effectively together.

96. To facilitate interline cooperation, Class 1s have developed many arrangements to make handoffs reliable and seamless from the shipper's perspective. Illustrations of "what is possible," to borrow UP CEO Jim Vena's phrase, are many: ranging from handoffs between Class Is and smaller railroads that are motivated to grow their on-line business, manifest interchange services built to compete against other railroads' single-line services, and long-haul run-through intermodal trains like CPKC's interline service with CSXT, the Southeast Mexico Express (SMX), and the UP-Shreveport-CPKC-Meridian-NS intermodal trains between California and the Southeastern United States. Each of these examples illustrates aspects of what

can lead to railroad growth success stories, but which UP and NS do not seem interested in investing in so long as they are pursuing their own merger proposal.

97. Where sufficient traffic density exists, and even where it does not, railroads know how to deliver interline service in ways that ensure that need for an "interchange" does not negatively impact the shipper's experience. For example, CPKC and other Class 1 railroads regularly support run-through blocking to minimize work events at the interchange. Where customer demand is sufficient, we also operate run-through unit trains, effectively creating single-line service as far as the customer is concerned. In many markets, our interline offering is already competitive with trucks. All that is to say, if there is enough business to support the traffic, then interline partners are able to sufficiently align their incentives to serve that traffic. CPKC does so regularly:

98. ***The Southeast-Mexico Express ("SMX")***. SMX is CPKC's interline offering with CSXT to connect customers in Mexico and Texas, on the one hand, with the U.S. Southeast on the other, providing shippers in these lanes with more competitive optionality, greater efficiency, industry-best cross-border security, and truck-competitive transit times. SMX is a good example of how two independent railroads can work together via joint interline service agreements, and develop and grow a competitive service without the need for a merger. CPKC and CSXT both made substantial capital investments to upgrade this service to achieve truck-like transit times. For many origins and destinations, we are now competitive with trucks and have seen shippers start to shift to rail in great numbers. Doing all of this did not require us to merge with CSX.

99. CPKC and CSXT launched SMX in December 2024, creating new interline routing options between the U.S. Southeast and Texas and Mexico. Since then, CPKC and CSXT

have continued to invest in and improve the service. Improvements have included capital investments in track, bridges and signal infrastructure on the former Meridian & Bigbee Railroad, as well as continued investments across the corridor in Georgia, Alabama, Mississippi, Louisiana and Texas. This followed respective acquisitions of the former Meridian & Bigbee Railroad, which allowed creation of a direct CPKC-CSXT interchange near Myrtlewood, AL.

100. In May 2026, CPKC and CSXT launched a dedicated SMX train service with faster transit times and additional origins and destinations. These improvements reduced transit times to and from all SMX-targeted markets, including approximately one day between Atlanta and Dallas, and approximately 2.5 days between Atlanta and central Mexico. Overall, SMX transit times improved approximately 20 to 45 percent.[18]

101. Now, the SMX service provides two-day service between Atlanta and Dallas, three-day service from Monterrey to Atlanta and four-day service from central Mexico to Atlanta. CPKC and CSXT also expanded the product into additional Southeast markets, adding new SMX origins and destinations in Charlotte, Jacksonville, and Central Florida. These transit times are truck competitive and both railroads' marketing teams are actively and strongly highlighting the availability of these offerings to shift more freight from truck to rail.

102. CPKC's (and CSXT's) experience with the SMX service is especially relevant to UP-NS's claimed intermodal growth opportunities. The Application identifies seven new premium intermodal lanes identified, and estimated synergies on these seven new lanes are roughly 1.5 million annual intermodal container loads by the end of a three-year time period. Three of the seven growth lanes Applicants identify are into the Southeast: Southern California

[18] CPKC, CPKC, *CSX upgrade Southeast Mexico Express with dedicated train, faster transit times* (May 6, 2026), available at: https://www.cpkcr.com/en/media/SMX-May2026.

to Southeast, Houston to Atlanta, and Northern California to Southeast. These destination regions are exactly the ones that CPKC and CSXT are already successfully growing into without a merger, with their interline SMX service offering today, which now reaches Atlanta, Charlotte, Jacksonville and Central Florida.

103. In other words, the opportunity Applicants describe does not require a merger to begin capturing it. Three of the seven growth lanes they identify involve Southeast markets where the CPKC-CSXT interline model is already demonstrating that this type of growth can be done today.[19]

104. ***Transcontinental Intermodal Service via the Meridian Speedway***. The interline service UP, CPKC, and NS provide via the Meridian Speedway is another example. Applicants repeatedly emphasize that this service route is among the best in the industry.[20]

105. For the transcontinental interline service I am describing, CPKC's competitive role is limited. [redacted]

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[19] Class I railroads, including the Applicants themselves, continue to develop new interline services without merging. New coast-to-coast intermodal services announced by BNSF and CSX; and a bi-directional domestic intermodal service that UP and NS launched in September 2025, originating and terminating in the Louisville market and interchanging at Kansas City. *See* Press Release, CPKC, *CPKC, CSXT Upgrade Southeast Mexico Express with Dedicated Train, Faster Transit Times* (May 6, 2026), available at https://www.cpkcr.com/en/media/SMX-May2026; Press Release, CSXT Corp., *CSX, CPKC Upgrade Southeast Mexico Express with Dedicated Train, Faster Transit Times* (May 6, 2026), available at https://investors.csx.com/news-and-events/news/news-details/2026/CSX-CPKC-upgrade-Southeast-Mexico-Express-with-dedicated-train-faster-transit-times/default.aspx.; Press Release, CSXT Corp., *CSX, BNSF Announce New Intermodal Services, Offering Seamless Coast-To-Coast Rail Solutions* (Aug. 22, 2025), available at https://www.csx.com/index.cfm/about-us/csx-bnsf-announce-new-intermodal-services-offering-seamless-coast-to-coast-rail-solutions/; Union Pacific, *New Union Pacific and Norfolk Southern Intermodal Gateway Expands Market Access* (Sept. 15, 2025), available at https://www.up.com/news/growth/louisville-intermodal-service-it-250915.

[20] At NS's Q3 2025 earnings call, Ed Elkins, NS's Vice President and Chief Commercial Officer, referred to the UP-NS service over the Speedway as the best intermodal ride from the West Coast to the Southeast. *See* N.S. Earnings Call Transcript (Oct. 23, 2025) ("When I think about service from the West Coast into the Southeast, I think about UP and NS utilizing the Meridian Speedway as the fastest, shortest route between those two regions, period. There's not a better ride out there when it comes to that kind of freight for intermodal.").

[redacted] CPKC provides the crews, dispatches the line, and runs the trains, but NS and UP are solely responsible for pricing the transportation and going to customers to sell the service. Although CPKC earns only a haulage fee, the service it has provided is consistently excellent, and as noted, allows UP and NS to describe this route as best in class. As Mr. Redd explains, the fact that there are two interchanges—one at Shreveport and another at Meridian—does not get in the way of this service offering single-line levels of service or better.

106. When I look at the UP-CPKC-NS transcontinental traffic moving across the Speedway, I see two things. I see huge potential, proven by the fact that service levels are excellent and truck competitive, and I see disappointment. Traffic levels appear not to have grown to their potential. UP and NS have complained about this too, even pointing the finger at CPKC. I know that the root cause of any failure to exploit the advantages of the run-through transcontinental train service via the Speedway is the product of pricing, marketing, and routing decisions made by UP and/or NS. UP and NS together are solely responsible for pricing and marketing the service. And I also know that UP has made the operational decision, for reasons that make no sense commercially, to re-route a large portion of its West Coast-to-Southeast intermodal traffic via Memphis, imposing on shippers a serious routing disadvantage. There is no lack of capacity on the Speedway—indeed, CPKC has offered UP and NS [redacted] to accommodate growth volumes, but UP and NS have not taken the steps necessary to fill this capacity.

107. Ironically, Applicants say that one of the biggest benefits of their merger will flow from shifting the same traffic back to Meridian, saving days of transit time. This is not a merger

benefit, it is a decision UP could make tomorrow, and CPKC service would be ready, willing and able to support that shift with world-class service.

108. The Speedway provides another example of how two railroads can work together to provide seamless interline service. CPKC originates and terminates intermodal trains at its Wylie Intermodal Terminal ("Wylie") near Dallas and runs between there and Meridian, MS, where they are interchanged with NS. Like the UP-CPKC-NS transcontinental trains, these trains also operate seamlessly across the Meridian interchange via run-through service. There is no service disadvantage associated with the fact that CPKC's network does not extend all the way to Atlanta and these trains must be interchanged twice.

109. NS has also complained about this service as an example of how CPKC's interests are not perfectly aligned with NS's desire to keep all of the available intermodal volumes in this lane to itself. CPKC is acutely aware of the challenges attracting intermodal traffic in this lane. It is a poster child of "truck competitive." The Speedway is paralleled by Interstate 20 between Dallas and Meridian (as is NS's route from Meridian to Atlanta) and there is tremendous balance in truck traffic flows supporting aggressive pricing by truckers. As a result, intermodal volume opportunities are heavily influenced by ebbs and flows in the truck marketplace. This lane also shows that offering a service that is truck competitive on transit time and reliability does not by itself take trucks off the road. Even with excellent service, volumes in this lane rise and fall with truck market conditions.

110. Nonetheless, CPKC is, and always has been, highly motivated to build intermodal volumes in this lane and even more so following the *CP/KCS* transaction. What appears to be at the root of NS's complaints is that CPKC has not been working solely with NS to build volumes in this lane. We have also pursued efforts to work with CSXT to move intermodal traffic

between Dallas and the Southeast, via the Myrtlewood gateway and the new SMX Service. Our efforts are not exclusively focused on either option; rather, we seek to promote whichever of these options (CPKC-Meridian-NS or CPKC-Myrtlewood-CSXT) meets the customer's needs. I understand why NS would want all of this traffic to itself by "aligning" CPKC's interests with those of NS, but that alignment would not be in the interest of rail customers.

111. ***Other Initiatives***. These are just two of many examples of how railroads working together to provide interline service can deliver effective outcomes for rail customers. Other examples involving CPKC include the longstanding run-through interchange gateway in Kingsgate/Eastport, where UP and CPKC exchange multiple trains per day of potash, grain and general manifest freight, moving between the Pacific Northwest regions that CPKC does not serve directly and CPKC-served territory in Canada and the Upper Midwest.

112. Successful interline transportation does not require special initiatives or fancy run-through train services. The blocking and tackling of good railroading and effective marketing can deliver a lot, even in the so-called "Watershed" that Applicants say they need a merger to address effectively. CP and KCS (and CPKC now) have never resisted participating in interline traffic involving hauls that Applicants claim ought to be too short to motivate a Class I railroad to participate. Just as smaller railroads have proven how effective they can be at attracting traffic where they will participate in at most a relatively short haul, Class I railroads can too. In fact, I heard UP's CEO say on UP's most recent earnings call that UP can do everything a short line can do to grow traffic, implying that UP does not need a long haul to be motivated to try.[21]

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[21] Union Pacific Corp., Q3 2026 Earnings Call (October 22, 2026), Remarks of Jim Vena, Chief Executive Officer ("In fact, I found that short lines are really good at some things. But listen, if you take a look at the way short lines work and what they do, we should be able to do that ourselves."), transcript

113. Perhaps because CPKC's route network provided CPKC (and CP and KCS before it) with modest opportunities for long-haul East-West movements, CPKC has always pursued short haul watershed traffic opportunities aggressively, including:

- Frac sand, ethanol, U.S. Grain and Asphalt from Wisconsin and Minnesota origins to the East via Chicago (approximately [redacted][22] carloads per year);
- Chemicals from Baton Rouge and other Louisiana origin locations to the West via Shreveport or to the East via New Orleans or Meridian ([redacted][23] carloads per year);
- Forest products from northern Louisiana to the East via Meridian and to the West via Shreveport and Kansas City (approximately [redacted][24] carloads per year); and
- Steel from origin near Columbus, MS to the West via Shreveport and Kansas City (approximately [redacted][25] carloads per year).

114. These watershed traffic flows are depicted graphically in Figure 8 below, which shows them overlaid on top of Applicants' map of the Watershed region.[26] My takeaway: The best way to motivate railroads to pursue watershed traffic opportunities is not to let them grow so large that they have abundant long-haul traffic opportunities that compete for capital, capacity, and attention with the shorter-haul opportunities.

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available at: https://www.fool.com/earnings/call-transcripts/2026/10/22/union-pacific-unp-q3-2026-earnings-call-transcript/.

22 *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points," cell F12.

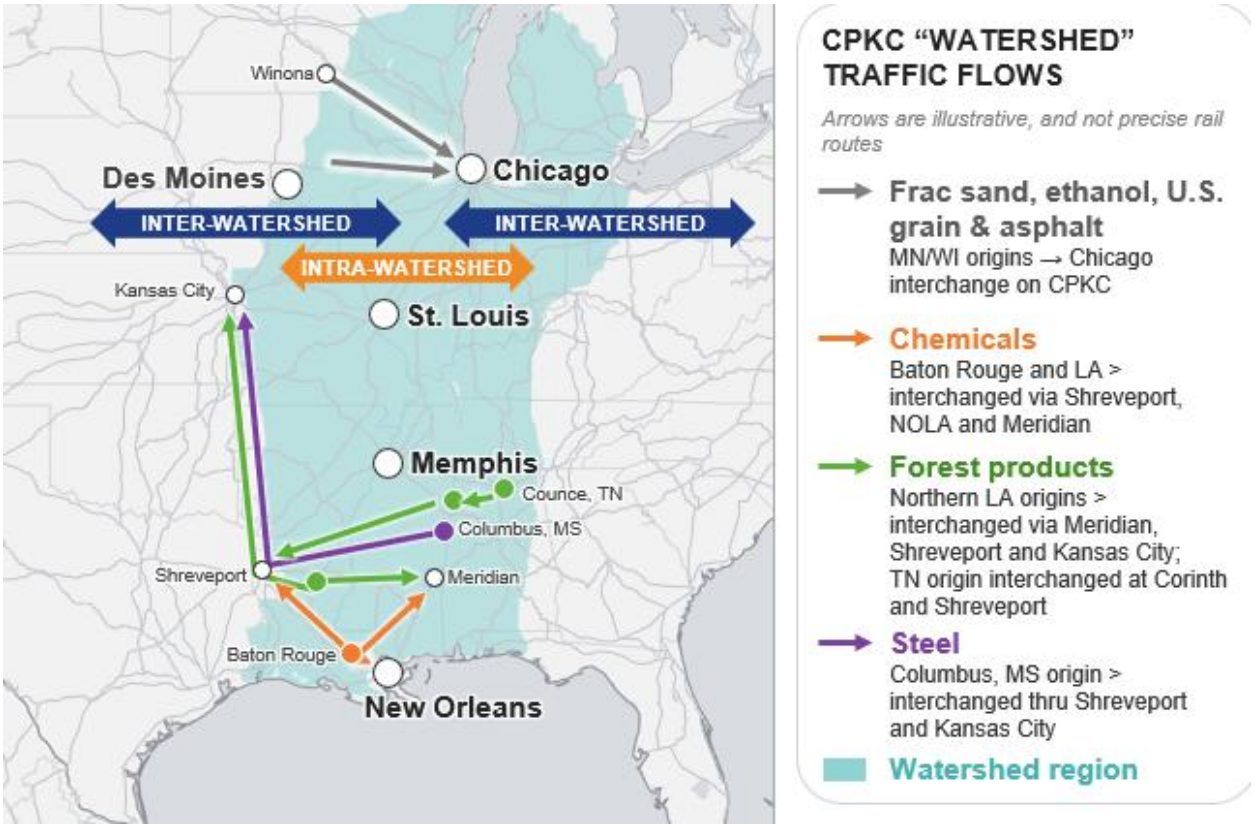
23 *Id*. at cell F13.

24 *Id*. at cell F14.

25 *Id*. at cell F15.

26 *See* Rev. App. 1-283 (Rocker/Elkins Second Errata V.S. ¶ 15, Figure 5).

FIGURE 8
CPKC "WATERSHED TRAFFIC"



115. Other railroads have similarly demonstrated the ability to offer effective interline services that do not depend on common control. For example, CN, UP, and FXE work together to provide their "Falcon Premium" service from Canada to Mexico. UP boasts that this service is the "fastest and most direct routing entirely by rail."[27] UP and NS work together to connect UP-served markets in the West with NS's Louisville intermodal terminal, squarely within Applicants' so-called "Watershed" region.[28] BNSF and CSXT have a number of collaborations offering seamless intermodal services between the West and the East, including service

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[27] *See* Union Pacific, *Falcon Premium Intermodal Service*, available at https://www.up.com/shipping/intermodal/mexico-to-canada.

[28] *See* Union Pacific, *New Union Pacific and Norfolk Southern Intermodal Gateway Expands Market Access* (Sept. 15, 2025), available at: https://www.up.com/news/growth/louisville-intermodal-service-it-250915.

connecting Southern California with Charlotte, NC and Jacksonville, FL; Phoenix with Atlanta; and East Coast ports with Kansas City. BNSF and CSXT have also teamed up to run BNSF intermodal trains intact through Chicago to CSXT's Northwest Ohio terminal at North Baltimore, OH, giving West Coast shippers a run-through service into the Ohio Valley that does not require a merger.[29]

116. UP and NS have not come close to exhausting the opportunities for improving their interline service. Each of the transcontinental run-through intermodal trains that Applicants say they will roll out if allowed to merge could be developed and implemented today, without any merger, if UP and NS truly believed there was a traffic bonanza at the end of the rainbow as soon as they launched those services. The fact that they have not launched those services is not a reason to authorize a merger of these railroads; it may be a reason to force them to make a serious effort to develop such services before proposing a transaction that will permanently alter a railroad industry structure that is not broken.

117. Finally, it is worth noting that in many fundamental respects, North America already has multiple Transcon options serving the intermodal marketplace, built by freight intermediaries like J.B. Hunt, Schneider, Hub Group, Amazon, FedEx, and others that have negotiated access to multiple railroads as part of offering an integrated web of nationwide rail and highway transportation services. These companies already offer a single point of contact with the same underlying freight shippers that UP and NS say can only receive that outcome if UP and NS are allowed to merge.

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[29] *See* Ohio Rail Development Commission, "State of Ohio Rail Plan," January 2019 at page 103, available at: https://dam.assets.ohio.gov/image/upload/rail.ohio.gov/publications/rail-plan/Rail-Plan.pdf.

2. The *CP/KCS* Experience Is Not Evidence that UP and NS Need to Merge to Achieve Growth

(a.) The Single Connection Between CP and KCS at Kansas City Presented Unique Challenges that a Merger Was Uniquely Suited to Addressing.

118. Applicants have drawn all the wrong lessons from the *CP/KCS* combination. When CP and KCS were independent railroads connecting at Kansas City, there just was not enough north-south traffic to support those kinds of initiatives. I know, because, as I testified in the *CP/KCS* proceeding, CP and KCS had tried to generate more interline traffic moving between them via the "Ice Pick" initiative and other efforts over the years, but that initiative failed in large part because the density of traffic flows did not support the kinds of services needed to attract the volumes that would in turn support the investments in improved services. Making matters worse for CP-KCS interline routes, CP was not remotely KCS's most important interline partner—UP was. And KCS had every reason to do what it could to keep UP satisfied, and it understandably was reluctant to work hard to build competitive (and speculative) interline services with CP when it faced the risk of driving UP traffic away. And, as we saw, UP aggressively did just that during and after the *CP/KCS* proceeding, as I will explain below.

119. Combining CP and KCS made a big difference in this setting, because it enabled decisionmakers at CPKC to build services that unlocked the full potential of CP and KCS networks in a sea of much larger single-line railroad rivals. CPKC Trains 180 and 181—what we call the Mexico-Midwest Express—illustrate how the *CP/KCS* combination was able to unlock new traffic opportunities for CPKC, winning traffic from other railroads and taking some trucks off the highway for us. We launched this new, through intermodal train between Chicago and Mexico the month after CP combined with KCS. That train started small, averaging only

[redacted][30] total containers over its first six months, or approximately [redacted][31] containers per day combined across both directions. Today, it is a successful service for customers, averaging [redacted][32] containers through the first half of 2026, or approximately [redacted][33] containers per day.

120. Let me emphasize the relevance of density, which helps explain why the UP-NS merger is so different from the combination of CP and KCS. *CP/KCS* combined the two smallest Class 1 railroads, which connected only at Kansas City. At Kansas City, there was very little traffic moving between CP and KCS. UP's witness in that case summarized the point well:

> "In their optimized operating plan, CP and KCS identify changes to the handling of *75 cars per day of traffic* interchanged between them at the common point, Kansas City. Applicants identify no operational consolidations at Kansas City because the Joint Agency yard is already a shared facility. The 75 cars per day are evidently handled today on a single pair of scheduled CP trains that operate north of Kansas City, trains 474 and 475, which also handle CP's interchange with the other railroads in Kansas City."[34]

121. UP was right about the volume of manifest traffic (loaded and empty) that CP and KCS interchanged in Kansas City before their combination—not even close to daily trainload volumes. A big part of the reason was that CP and KCS participated with one another in lanes already blanketed by the single-line routes of much larger railroads, especially BNSF and UP.

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30 *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points," cell F16.

31 *Id*. at cell F17.

32 *Id*. at cell F18.

33 *Id*. at cell F19.

34 *CP/KCS*, Finance Docket No. 36500, UP Comments, Haley V.S. ¶ 18.

(b.) The UP-NS East-West Transcon Context Is Completely Different from *CP/KCS*

122. By contrast, the UP-NS merger will combine two massive railroads that connect with one another at five major East-West gateways: Chicago, St. Louis, Kansas City, Memphis, and New Orleans (in addition to connecting via the Meridian Speedway). At each of these gateways, the volume of East-West traffic moving between UP and NS involves multiple trainloads of traffic every day. Those traffic flows generate tremendous opportunities for UP and NS to offer efficient *interline services* like run-through trains and deep blocking that can reduce dwell and improve reliability.

123. Today's interline traffic flows over the major Mid-Continent gateways are a stark contrast to this picture. Those flows give the major railroads serving those flows extraordinary opportunities to offer—on an interline basis—services that are both efficient and meet customer needs. UP and NS currently handle substantial East-West traffic that could readily support run-through blocks, trains, and other interline initiatives.

124. The CPKC MMX service took our combination to launch, but UP and NS already have a very similar service running today between Los Angeles and the Southeast via the Meridian Speedway, and there is nothing stopping them from establishing similar run-through services at other gateways and in other lanes.

3. The Rapid Evolution of Technology Will Make It Easier for Connecting Railroads to Meet Customer Needs Without Merging

125. Railroads currently cooperate to provide customers with transportation services that emulate what would be provided by a single end-to-end transportation provider. Ongoing developments from within the rail industry—such as through RailPulse and Railinc, among others—are rapidly improving the ability for all participants in an interline move to offer

customers full visibility into the status of their shipment. Progress in adding to equipment with GPS and other sensors has been accelerating, and UP recently announced that its EMP and UMAX container fleets are substantially equipped, supporting interline shipments among the participants in these ventures: UP; NS and CN for EMP; and UP and CSXT for UMAX.[35]

126. At the same time, advances in software, which will be accelerated by AI, are steadily improving the ability of railroads to connect their own proprietary platforms with one another and communicate with shared customers as seamlessly, or almost as seamlessly, as they can with a customer whose needs are local to one railroad. While some of this progress predates recent developments in AI, AI-enabled tools are likely to accelerate it further.

127. For example, CPKC's CLEAR customs system allows interline carriers to see and communicate data back and forth during an interline move, and carriers can also cooperate by swapping services (such as brake tests and fueling) to balance moves with one another. For CPKC's U.S.-Mexico services, CPKC provides border-crossing facilitation to make the service look and feel like a truck. This technology is advancing every day and has accelerated over the last five years, steadily eliminating the feeling of the interchange.

128. Finally, although not technology per se, the adoption by most railroads of many of the tenets of precision scheduled railroading will provide advantages with respect to interline services once railroads get around to paying more attention to interline opportunities. Any focus on scheduling and operating discipline is bound to make handoffs more efficient, not less, and the ability to communicate with customers about anticipated arrival dates (or times) better. In

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[35] Union Pacific, *From Rail to Real-Time: Union Pacific Empowers Intermodal Customers with Enhanced GPS Tracking* (Jan. 5, 2026), https://www.up.com/news/growth/customers-enhanced-gps-tracking-260105.

other words, more truck like, just like Applicants are claiming about their future single-line services.

4. Applicants' Claim That "Joint Ventures" Cannot Succeed Because Incentives Will Never Be Broadly and Permanently "Aligned" Is Misguided

129. When Applicants explain why they believe cooperation among independent railroads cannot match a transcontinental rail merger in unlocking growth opportunities, they focus on the notion of incentives and argue that the only way to align incentives is to make the changes permanent and all encompassing. Applicants' view is both incorrect and a reflection of why their proposed merger is likely to be so harmful to competition and the long-term future of the U.S. rail network.

130. Applicants' argument rings hollow when considered against the backdrop of real-world facts. First, there is nothing that prevents railroads from collaborating successfully to attract interline traffic opportunities via agreements that leave the participants with flexibility to adapt to changing conditions. Take CPKC's collaboration with both UP and NS for traffic moving across the Meridian Speedway as a good example. It is not a merger, and CPKC retains flexibility to compete head-to-head with NS for certain traffic using the Speedway, including Dallas intermodal traffic. Does that flexibility and impermanence undermine CPKC's alignment of incentives with UP and NS to facilitate high-quality service between California and the Southeast? Absolutely not, as my review above of CPKC's track record shows.

131. At the same time, consider what it would mean for the rail network if CPKC's incentives were permanently and broadly aligned with UP and NS through a merger. To name a couple: (1) UP and CPKC would no longer compete with one another to move rail traffic between Mexico and the U.S. Southeast in conjunction with services NS provides east of

Meridian; and (2) CPKC would not have invested in an alternative to NS east of Meridian by working with CSXT to establish new Mexico-Southeast intermodal services via the Myrtlewood gateway. From UP's and NS's perspective, "permanent alignment" seems to mean "we keep the traffic without having to compete hard for it."

132. Unlike the structural change from a merger, which is literally permanent, formal and informal interline cooperation preserves railroads' freedom to adapt to changing market conditions, to innovate by offering customers other services that may better meet their needs, and to support shippers having multiple options rather than just the one that the "merged" railroad chooses to provide.

III. APPLICANTS ARE ALSO WRONG IN CLAIMING THAT THEIR MERGER CAN BE COUNTED ON TO DELIVER THE GROWTH THEY FORECAST

133. Applicants' presentation treats their merger as if it will magically transform their own growth trajectories by flipping a switch of service and rate improvements that cause shippers to flock to the new UP-NS network. Growth requires hard work, and the UP-NS merger will not provide a "quick fix" for UP and NS's shortcomings in this regard.

A. The Applicants Have Not Prepared for the Growth They Project

134. First, as my discussion above indicates, notwithstanding the traffic growth UP and NS have experienced since 2023, both railroads face growth challenges going forward if they continue past patterns of under-resourcing their railroads through wave after wave of service challenges and price to grow revenue rather than volume. Those patterns are dictated by today's industry structure; they are the product of UP's own choices about how to resource its own railroad. In my view, there is nothing about a merger that will overcome these hurdles for them, except perhaps, as I explain above, being able to wield increased market power and force more traffic to their networks because shippers have fewer real options.

135. Applicants don't appear to have a serious plan for attracting the millions of new intermodal shipments they claim will shift from the Nation's highways or supporting that traffic if it is attracted to the UP-NS network. Their merger will not automatically cause truck shipments to flock to the rails. In CPKC's experience, shippers have many reasons for using long-haul trucking rather than rail that have nothing to do with whether the rail option is single-line or interline. Some own their own truck fleets. Some have dispersed origins and destinations, irregular volumes, short lead times, time-sensitive delivery windows, or facilities that lack rail or efficient intermodal access. Others value truck reliability, flexibility, and recovery options enough to pay a higher price. None of those preferences—each of which would steer a rational shipper towards truck options and away from rail—disappear just because a single-line option is available. Yet nowhere in their Application do Applicants consider the obstacles these preferences will create for their simplistic "merge and get growth" hypothesis. In theory, when the commodities being shipped are susceptible to over-the-road trucking, rail has a better chance of attracting business with intermodal service offerings. But here too single-line service offers no panacea. Once a commodity is at a truck loading dock ready to be shipped, shippers face hard choices about whether they are better off sending it directly to the destination by long-distance truck or having it delivered by a drayman to the nearest intermodal terminal offering rail intermodal service to another intermodal terminal that is within dray distance of the ultimate destination. That is a difficult conversion to make because the intermodal option has to overcome the simplicity and flexibility of a direct truck move, while still making sense for the customer on an end-to-end basis. Shippers make those choices for lots of reasons, including economic ones. The customer has to consider not just the rail line-haul, but also the cost and availability of a dray at both ends, terminal locations and cutoffs, and the total door-to-door

transit and reliability. But those choices are not ones typically driven by small changes in the transit times, reliability, or pricing of the rail option. Even a marginal improvement in one part of the rail move doesn't necessarily change the overall equation. Even if a merger could affect these factors at the margin, which is by no means clear given the success of interline intermodal offerings in today's marketplace and the lack of evidence that UP-NS service will actually be cheaper, faster, or more reliable, the incremental changes will not change the fundamentals of the logistical choices shippers are making today.

136. Applicants' projected intermodal growth depends on investments that Applicants will not make and cannot compel. In the Supplement, Applicants say that no shipper investment is needed because the domestic 53' container fleet has enough excess capacity to absorb the growth they project.[36] I disagree, and I am not alone. Andrew Robertson, an industry consultant, has explained to the Board, under oath, that Applicants' plan assumes their "IMC partners will acquire the containers, chassis, dray tractors, yards, and drivers needed to double their operations, essentially creating a new JB Hunt, *on their own dime*," and that new carload shippers will make "multibillion-dollar investments in sidetracks and railcars."[37] He estimates that these third-party investments could approach $4.5 billion, and he believes even that figure may be too low.[38] My experience matches his. In intermodal, equipment on hand is not the same as capacity. An IMC that wants to grow in a new lane has to finance boxes, chassis, and tractors, and it has to find yard space and drivers at both ends. As Mr. Robertson puts it, that

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[36] Applicants' Second Response to Decision No. 21 (UP-80/NS-78) (filed July 27, 2026) at 101-102.

[37] Supplemental Verified Comments of Andrew C. Robertson, FD 36873 (filed May 8, 2026) at 4.

[38] *Id*. at 4 n.2.

kind of scaling up "will take years."[39] CPKC learned this firsthand. Building out MMX took years of capital, patience, and money-losing short trains before the density came. Applicants do not identify who will make these investments or when. Until they do, the diversions they project are an aspiration, not a forecast.

B. CPKC's Experience Shows that Truck Conversions Are Especially Difficult to Achieve

137. Second, CPKC's recent experience implementing an "end-to-end" merger shows that growth is hard work, and the permanent combination of connecting carriers via merger does not magically deliver it without the relentless attention to all the things that make any railroad successful: service that reliably meets customer needs at a fair price relative to the customer's other options and, even more important, demonstrating that customers can count on the railroad living up to those promises. As CPKC has experienced since 2023, accomplishing this is a matter of demonstrating to customers—showing them, not just telling them—on a customer-by-customer-by-customer basis, why they should put their faith in CPKC's network when (at least in CPKC's case) they have options.

138. Our flagship MMX service between Mexico and Chicago (CPKC trains 180 and 181) tells the tale of how hard it is to induce shippers to convert from truck to rail. We launched the service immediately after getting approval from the Board to combine, and we demonstrated our commitment to run the service daily no matter how quickly traffic levels grew. Many railroads launch a new service and abandon it within months if traffic does not materialize. CPKC's leadership made the opposite choice: we committed to the product and kept running the trains while we built density and customer trust, even though doing so was very costly. For a

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[39] *Id*. at 3.

long time, we ran very short trains, and even now, three years later, these trains often are under [redacted] feet long, a far cry from their 10,000-foot design standard. MMX launched in May 2023 and initially operated at very short train lengths as CPKC worked to build out customer adoption and density. In the first full year of service, 2024, average northbound train length was [redacted] feet,[40] which increased to [redacted][41] feet in 2025 and [redacted][42] feet through Q3 of 2026. Although CPKC has seen approximately [redacted][43] growth since 2024, average train lengths remain well below the 10,000-foot design standard. Service levels and reliability are stellar. On top of this, the service we offer is in many respects better than truck, because it avoids border inspections, customs friction, and cross-border driver regulations. Even with those tailwinds, we have struggled to convert traffic at the level we had expected.

139. The average train lengths of Northbound trains per year are illustrated in Figure 9 below.

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40 *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points 17-20," cell C9.

41 *See id*. at cell D9.

42 *See id*. at cell E9.

43 *See id*. at cell E11.

FIGURE 9[44]
MMX TRAIN LENGTH HISTORY (AVERAGE): NORTHBOUND TRAIN



140. CPKC's oversight reporting illustrates the point. In CPKC's most recent diversion submission to the Board, covering the November 2025-April 2026 period, CPKC identified approximately 11,500 carloads (or intermodal containers) that CPKC believed had been attracted from truck shipments that crossed the legacy-KCS and legacy-CP boundary.[45] This figure covered only a five-month period, and it did not adjust for the greater capacity of railcars as compared to trucks for that portion of truck-to-rail diversions that were to rail carloads. CPKC believes that these diversions are the equivalent of approximately [redacted][46] trucks diverted from the highways over the six-month reporting period ending in April 2026, or approximately [redacted][47] on an annualized basis over the 12 months ending in April 2026. As shown in Figure 10 below, CPKC has not achieved the level of truck-to-rail diversions that

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44 *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points 17-20."

45 CPKC's July 2026 Traffic Diversion Submission, CPKC-63, FD No. 36500 (Sub-No. 6), at 6 (July 15, 2026).

46 *See* (HC) Supporting file for Diversion Figures (Nov 2025 to Apr 2026 filing period).docx.

47 *Id*.

CP and KCS forecast in the *CP/KCS* proceeding, *i.e.*, 64,000 truck-to-rail conversions on an annual basis.[48]

141. Figure 10 below illustrates the forecasted truck conversions presented in the Application in gray, with the actual truck-to-rail diversions reported in CPKC's oversight reporting shown in red.

FIGURE 10
CPKC TRUCK-TO-RAIL CONVERSIONS RELATIVE TO APPLICATION FORECASTS

REPORTED FIGURES[49]



[48] Decision No. 21 at 25 n.29 (STB served May 28, 2026).

[49] *See* (HC) Brooks Visuals Workpaper.xlsx, tab "Figure 10 (Forecast)."

ADJUSTMENT FOR CARLOAD CONVERSION[50]



142. The hard truth is that every single truckload conversion is difficult work that requires incredible perseverance, and the details matter because getting a customer to shift away from a transportation solution with which it has long experience is very hard. Consider one real-world illustration: a manufacturer of metals products has a facility less than an hour's drive from a CPKC intermodal facility but, nonetheless, even though rail would make good economic sense for this customer, trucks its product all over the country. My team made eight to ten cold calls seeking to persuade this customer to shift some volumes to rail and got nowhere. I wrote a letter to the company's CEO introducing our products and lanes, and the CEO referred it to his team. We have now been at it for a year, simply building the customer's understanding of the product,

[50] *See* (HC) Brooks Visuals Workpaper.xlsx, tab "Figure 10 (Adjustment)."

answering questions like how loading 53-foot containers on rail is different from loading a truck, how border crossings happen on rail, and how container quality affects service. Our MMX and SMX service levels, and the consistency of those services, more than meet the customer's transportation needs, and our pricing is better than truck. Yet for a full year into the effort, we had not moved a single load, and to date have only moved a handful.

143. The challenges UP-NS will face in pursuing their desired truck-to-rail diversions will be even greater than what CPKC has confronted, for several reasons. First, Applicants' planned diversions involve rail movements entirely within the United States and so will not benefit from the tailwinds associated with rail's ability to reduce cross-border frictions. Applicants anticipate moving lots of freight between Mexico and the United States using UP's Port Laredo intermodal terminal, which means all of that freight will have to cross the U.S.-Mexico border by road, not by rail, and incur all of the border crossing frictions associated with highway crossings.

144. Second, Applicants' diversion plans are heavily reliant on intermediaries for the contemplated growth in rail intermodal shipments using their planned new train services. In CPKC's experience, so-called "channel partners" like Schneider, Hub Group, Amazon (which use their own private containers), and the non-asset owning Intermodal Marketing Companies that book intermodal service using rail-owned containers in the UP-NS EMP program are extraordinarily savvy businesspeople who make routing decisions based on a careful weighing of costs and benefits. They are not invested in using railroad services as an end goal, but only when the total logistics cost of rail optimizes their network. They are just as happy putting their trucks on the road as putting their containers on rail. In CPKC's experience, convincing these kinds of entities to invest in rail for the long run will be a challenge.

145. Much of CPKC's growth on its MMX service has involved appealing directly to the beneficial owners of the freight to demonstrate how CPKC's rail offerings can meet their needs reliably and economically. But that takes tremendous work, customer by customer, and opportunity by opportunity, as the example I described above shows. It is clear that Applicants do not anticipate investing in this kind of effort, as their plan to radically downsize NS's marketing department shows, as I explain in the next section.

C. Applicants' Personnel Plans Expose Their Overstated Growth Projections

146. Applicants' own pro-merger narrative reinforces that they have not learned the right lessons from the recent past. For example, among the "benefits" Applicants emphasize is their reduced overhead expenses. But consider the implications of Applicants' planned reductions for the growth narrative they are trying to advance for their proposed merger. At the same time that Applicants project astronomical traffic growth, they also propose shrinking NS's "non-operating" management personnel radically as part of their elimination of NS's Atlanta HQ. The public version of Applicants' submission shows an overall reduction of 347 positions, almost 20% of NS's pre-merger total at this location, with more reductions among field non-operating managers.[51] Figure 11 below reproduces Applicants' table.

[51] Rev. App 1-529 (Perkes VS ¶ 10, Table 1).

FIGURE 11[52]
APPLICANTS' PLAN TO DRASTICALLY CONTRACT NS'S MARKETING FORCES

Table 1[2]
Norfolk Southern's Management Employment by Classification

Locations	NS Mgmt Positions	NS Positions Reduced by Year 1	2	3	Total	NS Positions Retained	NS Positions Relocated to Omaha HQ	NS Positions Remaining at Current Location
Atlanta HQ – Operating	781	111	48	31	190	591	200	391
Atlanta HQ – Non-Operating	1,282	244	39	64	347	935	346	589
Atlanta HQ Totals	2,063	355	87	95	537	1,526	546	980
NS Field – Operating	1,853	137	106	19	262	1,591	-	1,591
NS Field – Non-Operating	258	35	14	10	59	199	-	199
Field Totals	2,111	172	120	29	321	1,790	-	1,790
Norfolk Southern Total	4,174	527	207	124	858	3,316	546	2,770

147. These force reductions must include NS's Marketing and Sales personnel, meaning that UP-NS will go into their post-merger period of claimed traffic growth while simultaneously firing a large number of the people who one would expect they would rely upon to sell customers on the services UP-NS can offer and hustle for new business. The plan to shed the very personnel that are most likely to have the established relationships with shippers makes any claims about growth especially suspect. Marketing and sales personnel have customer knowledge and relationships that cannot easily be replaced.

148. Taking trucks off the road is far more complex than offering a service and a competitive price. Commodities matter, relationships matter, and trust matters. So do loading complexities and damage risk, safety and theft, first-mile and last-mile details such as cut-off times and hours of service at customer docks, credit and liability. And the difference in rate is not all a benefit to the shipper: rail has to make many changes just to adequately incentivize customers to switch their investments from truck-oriented to rail-oriented logistics.

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[52] Rev. App 1-529 (Perkes VS ¶ 10, Table 1).

D. Applicants' Calculations of Shipper Cost Savings Do Not Support Applicants' Benefits Claims

149. Applicants assert that, if they attract as much truck traffic to rail as they claim, the shippers who switch will save approximately $3.5 billion, measured as the difference between some sort of average truck rates and some sort of average rail rates. I strongly disagree with Applicants' logic. That calculation is flawed because it treats the entire difference between truck and rail rates as a gain to shippers, when in my experience that difference largely reflects the value shippers place on the service advantages of trucks. Even if their math turns out to be right, the benefit to shippers would be nowhere close to $3.5 billion.

150. The fallacy is obvious when one considers why shippers are using trucks today if rail rates are so much lower. It is because of a wide variety of logistics, reliability, and other advantages that shippers perceive trucks to provide that railroads do not. In other words, the price difference between rail and truck accounts for a whole range of tradeoffs that, from a shipper's perspective, cause truck to provide more value than rail. Using trucks for a price of $3,000 may be deemed superior to using rail at a cost of $1,500.

151. In light of these tradeoffs, even if shippers decided to shift from truck to rail in response to a marginal improvement in rail transit times or rail pricing—as I understand Applicants' diversion study assumes—the shift would not mean that the shippers' outcomes would improve by the full amount of the price difference. To the contrary, the improvement would be only marginal because there would still be many tradeoffs, albeit with a slightly improved balance favoring the choice of rail under Applicants' assumptions.

152. As a result, the magnitude of the benefit would not be the full price difference between truck and rail, but at most a small fraction of that reflecting the marginal improvement in the relative value of truck and rail alternatives.

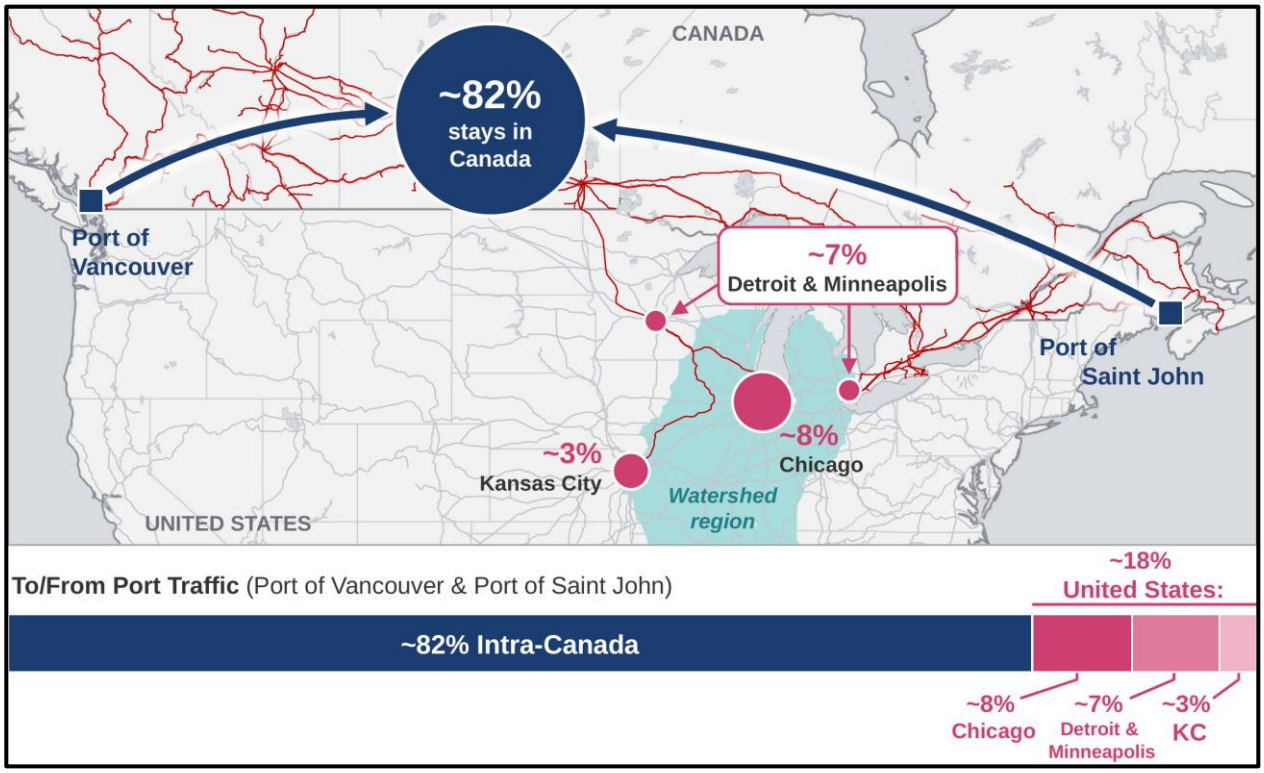
IV. THE MERGER WILL HAVE ZERO IMPACT ON THE COMPETITIVENESS OF U.S. PORTS AS COMPARED TO CANADIAN PORTS

153. Applicants have repeatedly invoked Canadian railroading and the Canadian railroad regulatory context as some sort of justification for approving the UP-NS merger. One line of argument has been that "transcontinental" Canadian railroads give Canadian ports an advantage over U.S. ports in getting goods to/from U.S. inland markets. Applicants suggest that their merger is needed to level the playing field so Canadian railroads and ports no longer have an advantage tapping U.S. markets.

154. Applicants' arguments are incorrect and nonsensical. First of all, a minuscule percentage of rail traffic entering and leaving the United States moves to/from Canadian ports. For example, as shown in Figure 12 below, the vast majority of the intermodal shipments that CPKC originates at the Port of Vancouver on the Pacific and the Port of St. John on the Atlantic move inland to points in Canada. Less than [redacted] ends up in the United States.[53]

[53] *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points," cell H24.

FIGURE 12 – CANADIAN PORT TRAFFIC TO THE UNITED STATES[54]



155. Second, to the extent traffic between Canadian ports and certain regions in the United States benefits from single-line routings on Canadian railroads, the U.S. rail network already provides single-line links between the same U.S. regions and competing U.S. ports. Traffic to/from Canadian ports almost never crosses the Mid-Continent, and when it does, it does so via interline connections. For example, CPKC handles intermodal containers from the Port of Vancouver to Chicago, and from the Port of St. John to Chicago. UP and BNSF both already have single-line routes to Chicago from U.S. West Coast ports—including Seattle/Tacoma, Oakland, and Los Angeles/Long Beach—and both NS and CSXT already have single-line routes to Chicago from New York/New Jersey, Baltimore, Hampton Roads, Charleston, and Savannah, among others. Likewise, UP and NS both have single-line routes between the ports they serve

[54] *See* (HC) Brooks Visuals Workpaper.xlsx, tabs "Figure 12 Calculation" & "Figure 12 – Raw Data."

and Kansas City, while UP reaches Minneapolis from its West Coast ports and NS reaches Detroit from its East Coast ports. As a result, it is just wrong to suggest that a transcontinental U.S. railroad is needed to match the single-line reach of Canadian railroads between the United States and Canadian ports. Moreover, most Canadian container traffic from both coasts is moving inland to Montreal or Toronto, and CP, for example, had sold its lines east of Montreal from 1991 to 2020.

V. NO SET OF CONDITIONS COULD PRESERVE THE COMPETITIVE STRUCTURE THAT EXISTS TODAY IF THE UP-NS TRANSACTION IS ALLOWED TO PROCEED

156. If UP acquires NS, the structure of America's interline rail network will be transformed in fundamental ways and forever. Applicants appear to believe that all of those changes will be for the better, but for reasons I and other CPKC witnesses explain, that is very unlikely to be the case. The UP-NS merger would reduce shippers' competitive options, squeeze out remaining competition, and increase the risk of systemic service failure.

157. I also believe that there is significantly less potential for single-line benefits flowing from the transaction than Applicants claim, especially given the ability to achieve many of those benefits through initiatives that do not permanently and fundamentally transform industry structure, like the relatively simple step of investing in new transcontinental run-through train service of the sort Applicants claim the merger will bring.

158. I understand that in some of the Board's past merger proceedings where there were clear harms and also the potential for some public interest benefits, the Board asked the question whether some set of conditions could be imposed that would prevent the harms while allowing the benefits to be achieved. I feel strongly that in this case the answer to that question is emphatically no—no set of conditions could come close to preserving the competitive and other benefits of the current industry structure. What Applicants have proposed would be

woefully inadequate and almost entirely temporary, whereas their transaction's effects would last forever. And any more extensive and permanent set of conditions would fundamentally immerse the Board in a protracted, centuries-long battle to try to regulate UP's future behavior against a backdrop of UP's well-established posture of defiance and resistance to any such regulation. Even if the Board managed to be completely successful at enforcing some set of conditions against UP over some period of time, a condition-regulatory regime could never come close to replicating the incentives that exist today for NS and UP to compete—both with one another head-to-head and as part of interline offerings (like UP-CSXT or BNSF-NS, or CPKC-NS) in conjunction with other interline partners.

159. In this section of my statement I explain why Applicants' proposed conditions are inadequate and then proceed to explain why no set of conditions would be able to protect the public interest if the UP-NS transaction is permitted to transform the rail network forever.

160. Applicants have highlighted four sets of commitments that they say will safeguard competition following their combination: their commitment to "keep gateways open on commercially reasonable terms" (the "Open Gateway Commitment"); their temporary "Committed Gateway Pricing" program; their temporary "Targeted Access Program;" and their temporary "ADR Program for Common Carrier Rates."[55] None of these proposed conditions could come close to replicating the competitive incentive structure of today's rail network.

A. Applicants' Open Gateway Commitment Will Not Preserve Today's Competitive Landscape

161. Applicants commit to abide by the same open gateway conditions that were proposed by Applicants in the *CP/KCS* proceeding and imposed with slight modifications as

[55] *See* Rev. App. 1-348-50 (Rocker/Elkins V.S. ¶¶ 164-173); *see also* UP-80/NS-78 at 8-9.

conditions on CPKC in that case. Applicants appear to suggest that whatever was good enough to guard against anticompetitive effects in *CP/KCS* ought to suffice here. I disagree.

1. CP-KCS Was Very Different from UP-NS

162. I am intimately familiar with gateway commitments imposed on CPKC as well as the similar gateway conditions that CPKC inherited from KCS that were imposed in *KCS/Tex Mex*. I know the latitude those conditions provide CPKC to encourage shippers to use CPKC single-line or extended haul routings. I also know, however, that the *CP/KCS* combination did not give CPKC any incentive or ability to use that latitude to act in anticompetitive ways. As a result, and as I told the Board in the *CP/KCS* proceeding, no gateway conditions *were needed* in *CP/KCS* in order to safeguard shippers' continuing access to all of the rail options they had before the transaction.[56]

163. That commitment made sense for *CP/KCS* because of the realities of that transaction. CP and KCS were the two smallest Class I railroads, and they only connected at Kansas City. The combination of CP and KCS occurred against the backdrop of much larger rail carriers that already had their own single-line routes surrounding CP's and KCS's separate U.S. networks. The combination created a new single-line option to compete with UP and BNSF single-line routes that already blanketed the territory we serve. CP and KCS in fact interchanged very little manifest traffic with one another, and neither of them had exclusive access to significant swaths of solely-served rail traffic.

164. CP-KCS did not give CPKC control of a route that UP or BNSF needed to compete. At Laredo, for example, Mexican regulation and other factors limit CPKC's ability to

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[56] *Canadian Pac. Ry. Ltd. – Control – Kan. City S.*, FD No. 36500, Brooks Reply V.S. at ¶¶ 10-14.

foreclose traffic heading to Mexico, and CPKC's KCSM Mexican concession prohibits a railway from charging different prices for the same origin-destination pair, equipment, and commodity based on the origin carrier or customer. In comparison to UP-NS, therefore, there was essentially no risk that a post-merger CPKC would have the incentive or ability to foreclose shippers' access to their preferred route.

165. This feature of *CP/KCS* has been borne out by experience. At the gateways where UP and BNSF complained that CPKC would force traffic to CPKC single-line or extended haul routes, the reality is that UP and BNSF shifted their own traffic elsewhere, primarily to the Eagle Pass and El Paso gateways. CPKC's interchange with UP at Laredo and with BNSF at Robstown is down since 2023, but that is largely because UP and BNSF and the customers they serve have shifted traffic to routes involving FXE in Mexico.

166. None of the above features are present here. A combined UP-NS would be the only single-line carrier spanning all of the Mid-Continent gateways—Chicago, St. Louis, Kansas City, Memphis, and New Orleans—and there is no comparable regulatory protection at U.S. gateways like what exists under Mexican regulation. For many of the shippers I described above, such as the frac sand and ethanol customers moving to NS-served destinations, there is no nearby gateway that would let them bypass the merged carrier. And UP-NS would be large enough to absorb the costs of making a competing interline route unattractive in a way that CPKC never could.

167. As a result, for vast numbers of shippers who are dependent on UP in the West or NS in the East, but where meaningful competitive alternatives are available on the other side of a Mid-Continent gateway, the merger will fundamentally change the incentives of the must-have railroad to continue working with all of the competing railroads across the gateway. Instead of

working with both CPKC and BNSF to deliver traffic to legacy-NS at Chicago, UP's incentives will usually be to win the long haul for itself, whether or not that is the outcome that best serves the interest of the customer. Were UP and NS allowed to combine, the only thing standing in the way of this anticompetitive outcome would be the conditions imposed by the Board aimed at requiring UP to work with those connecting carriers.

168. The problem is that, as UP strenuously argued, a commitment to keep gateways open on commercially reasonable terms is not up to the task in a context like UP-NS where such a commitment would be needed to counteract UP's quest to exert post-merger market power. A commitment to keep a particular gateway open cannot preserve the competition that exists in today's East-West interline world.

2. The Tools a Combined UP-NS Will Have to Steer Traffic Are Too Numerous and Too Subtle to Police

169. Based on my experience, a merged UP-NS would have an endless variety of ways to make a competing interline route less attractive without ever outright refusing to connect at a gateway, meaning that, at best, there might be an argument about what economic or service terms are "commercially reasonable." In the face of evaporating support for pre-existing interline options by UP, the most a shipper or connecting railroad might hope for would be a protracted dispute over whether UP's pricing or service changes were unreasonable. This environment would be a far cry from today's world, where UP is eager to work with CSXT (as well as NS), and NS is eager to work with BNSF and CPKC (as well as UP).

170. Today, NS cooperates with CPKC because it is in NS's own commercial interest to do so; the interline services CPKC offers with NS exist because both parties benefit from them. As I described above, NS works closely with CPKC on unit trains of frac sand and ethanol

moving from Upper Midwest origins that NS does not reach to Eastern destinations that CPKC does not reach. Gateway standards cannot replicate the competitive dynamics created by an independent NS.

171. That independence disciplines the terms UP can offer at every gateway where it interchanges with CPKC. When UP prices its portion of an interline movement or sets its service at an interchange, it knows that shippers can often turn to a CPKC-NS routing if UP's terms are not competitive. After the merger, that alternative would no longer exist at any of those gateways.

172. In my experience, the day-to-day cooperation that makes an interline service competitive cannot be overstated. This cooperation involves decisions about run-through blocks, how traffic gets switched and classified at the interchange, how quickly a partner returns equipment, whether a partner will hold a train for a connection, how a partner handles a service failure, and how it prices its portion of a movement when a customer is choosing between options. A partner that wants the business makes those decisions in a way that helps the joint service win. But a partner that would rather keep the whole movement on its own network can gradually degrade interline service until it is no longer competitive.

173. Among the countless tools UP would have to make a choice of an interline route comparatively unattractive, even if that route could (if supported) meet the customer's needs, include:

- Pricing UP's portion of an interline movement at a level that might be defensible on its face but is designed to undermine the attractiveness of that option relative to a UP single-line route or a longer-haul UP routing, so that there would be less

competitive pressure on the rates charged for the (formerly competitive) legacy-UP or legacy-NS portion of the move;

- Adjusting divisions or Rule 11 rates by gateway so that the gateway that preserves UP-NS's longest haul is always the most "economical" choice to the shipper;
- Reducing blocking, train frequency, or connection priority at the interchange;
- Allowing service to degrade as interline volumes fall, and then pointing to lower density as a commercially reasonable reason to reduce service further or even discontinue service; and
- Any number of other steps that reflect less eagerness to "sharpen its pencils" to compete hard for the interline traffic where UP now has an interline route or a longer haul.

174. Many of the above actions would be difficult for a customer (or the Board) to recognize for what they are: reduced competition. And they would be even harder to challenge as "commercially unreasonable" merger effects, as opposed to ordinary commercial judgments about what was in the best interest of UP. And the customers most exposed to this kind of manipulation would often be least likely to complain because they likely would already depend on UP (legacy-UP or legacy-NS or both) for other movements and fear the repercussions of suing to enforce a merger condition. Indeed, I would expect that in many cases such customers would, as a practical matter, have little real economic choice but to bundle as much traffic as possible with UP, despite the fact that, had UP and NS remained independent, the customer would be better off exploiting alternative interline options. UP's gateway commitment would not be able to police any of this effectively.

175. Moreover, because UP will design its post-merger operating plan to favor its own single-line services, shippers often would lack any benchmark interline traffic to point to in an attempt to demonstrate the unreasonableness of UP's post-merger conduct. Or, if there were such a benchmark, it would similarly reflect the same incentives on the part of UP to degrade the attractiveness of interline options, making it all the harder to show unreasonableness, particularly because UP/NS traffic on interline routes may be minimal or nonexistent.

176. There is also an overarching timing problem that I see constantly in the marketplace. Customers make routing decisions in RFP cycles and under multi-year contracts, and a competing interline offering that is lost in one bid cycle is very difficult to rebuild. By the time a customer or a connecting carrier could obtain relief through a Board proceeding, the traffic opportunity would have passed by, the interline service would have lost the density needed to support it, or the customer would have signed a new contract with UP-NS.

177. Many customers are also bound to their carrier by contract terms that make shifting traffic difficult, including minimum-volume commitments, exclusivity or percentage-of-traffic requirements, routing requirements, volume rebates, and shortfall penalties. A combined UP-NS could use those terms across a much larger network to limit how much traffic a customer can move to a competing interline route, even where a gateway remains open. Customers have also told us that they are reluctant to move traffic away from UP for fear that UP will respond on other lanes where the customer has no alternative. Again, a gateway commitment could not police any of this effectively.

B. Applicants' "CGP" Condition Will Not Preserve Today's Competitive Landscape or Enhance Competition

178. Applicants' Committed Gateway Pricing Program ("CGP") at first blush appears to be a more robust way to keep gateways open. It has some similarities to the gateway

conditions that UP and BNSF proposed in *CP/KCS*, and which I criticized as unnecessary and anticompetitive. But at least it would provide some structure for the rates that a connecting carrier could quote for interline movements that depended on access via a Mid-Continent gateway to the UP network.

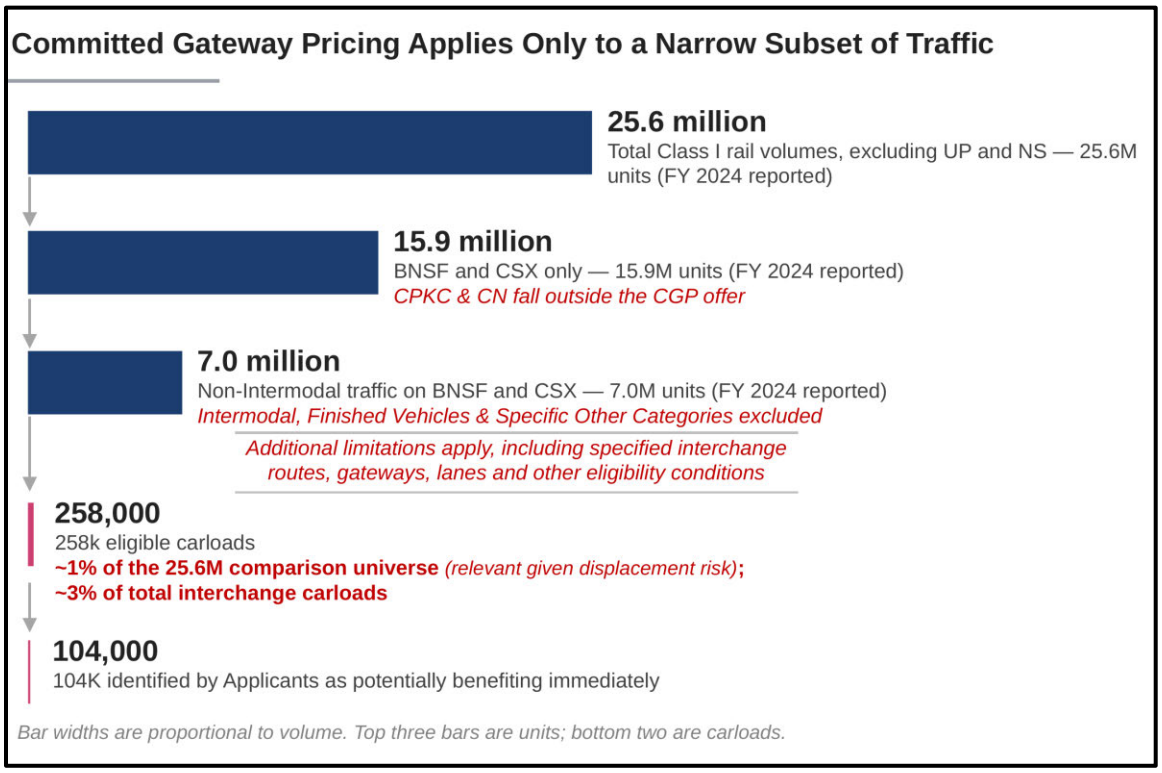
179. But Applicants are very clear that CGP is not intended to remedy any vertical competitive harms from their merger, and it is also clear that CGP would be completely ineffective were it offered for that purpose, for many reasons.

180. First, it is temporary, lasting only during the oversight period. The UP-NS merger and its effects on the interline rail options shippers have today will be permanent, not temporary.

181. A temporary program would not give customers or connecting carriers any meaningful ability to make long-term commitments. Shippers need to know what competitive options will still be there in five or ten years. A program that is scheduled to expire after a brief oversight period cannot serve this goal.

182. Second, the CGP proposal is riddled with huge holes that would make it inapplicable to a significant portion of potential UP interline rail traffic. Figure 13 below shows the tiny fraction of rail traffic to which CGP would apply at all.

FIGURE 13
LIMITED APPLICABILITY OF CGP PROGRAM[57]



183. Many of the limitations of the CGP program are core features of Applicants' design:

- CGP would not apply to any interline traffic interchanged with Class I carriers other than BNSF and CSXT. That list, of course, excludes CPKC, meaning that CGP would not provide CPKC with any opportunity to quote CGP rates for interline movements on the legacy-NS or legacy-UP networks. UP would be free to force that traffic away from CPKC routes, limited only by the theoretical potential for enforcement of the "open gateway" commitment.
- The CGP proposal would not apply to any interline traffic interchanged at a gateway other than Chicago, St. Louis, Memphis, and New Orleans. This

[57] *See* (HC) Brooks Visuals Workpaper.xlsx, tab "Figure 13."

limitation would sweep away any obligation to support a host of potential interline routing options that exist today via other gateways. For example, even if CGP did apply to CPKC, this limitation would mean that CPKC could not quote a CGP rate on the legacy-NS network for traffic moving between Mexico and the Southeast interchanged with NS at Meridian, MS, in direct competition with UP "single-line" FXE/UP routes between Mexico and NS-served points. UP would again be free to force traffic that depended on access to the NS network to its own single-line or longer-haul routes.

- The CGP proposal excludes a host of commodities, including intermodal traffic, finished vehicles, TIH/PIH materials, dimensional loads, and shipments to or from storage-in-transit facilities. Those exclusions cover much of the traffic CPKC interchanges with UP and NS today. Intermodal traffic is central to CPKC's business and to the interline services I described above, including our Meridian Speedway services with UP and NS. CPKC also handles significant volumes of finished vehicles and auto parts in interline service with NS, including [redacted] traffic described above.
- In 2025, CPKC interchanged [redacted][58] carloads with UP or NS. Even if CPKC were eligible for the CGP program, [redacted] of this would be excluded under the program as written in Applicants' filing.

184. Third, Applicants' proposed CGP framework is too coarse to track market conditions and is not nimble enough to allow rates to adjust rapidly to changing conditions, *unlike* how rates charged by an eager interline partner can adapt to those conditions.

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[58] *See* (HC) Brooks Data Point Workpaper.xlsx, tab "Data Points," cell F29.

185. The buckets used to calculate CGP rates are far too coarse. For example, "Industrial Chemicals" and "Metals & Ores I" span movements with materially different cost and demand characteristics. Mileage bands encompassing 500 miles (e.g., between 500 and 999 miles) ignore pricing differences between shorter and longer moves.

186. The rigidity of CGP also would preclude it from mimicking a competitive interline marketplace. An annual reset lags market conditions that often change quarterly or sooner. In today's marketplace, interline carriers adjust their rates and divisions continually in response to fuel and truck-market swings, seasonal demand, new competitive offerings, and individual bids. Under CGP, the legacy-UP or legacy-NS portion of the move would be fixed in advance, while UP-NS could price its own single-line alternative freely from bid to bid. By the time the annual reset caught up, the RFP would be over and the traffic would be gone.

187. Fourth, Applicants' decision to set CGP at the 70th percentile of "comparable" rates raises a further set of concerns. In the short run (which is the only period in which Applicants propose for CGP to exist), setting CGP so high in UP's post-merger rate distribution would tend to ensure that interline rates built on CGP were relatively uncompetitive, and certainly less competitive than the rates that an eager interline partner would charge "on average" (given that the 70th percentile is well above the median). And of course basing a CGP rate always on an above-median percentile rate would not mimic how interline pricing occurs today, where an eager interline partner can lower rates below the mid-point of the distribution in order to pursue attractive traffic opportunities.

C. Applicants' Targeted Access Program Will Not Preserve Today's Competitive Landscape or Enhance Competition

188. Applicants' Supplement added a new Targeted Access Program ("TAP") proposal, which would, during the oversight program, provide a mechanism for certain sole-

served customers within terminal areas that experience serious deterioration to seek temporary reciprocal switching access to another Class I railroad.[59]

189. I agree that, were UP and NS allowed to merge, providing shippers with additional access to competing rail carriers would be necessary to help mitigate the greater market power UP would achieve through the merger. But the TAP proposal is not a viable means of achieving that goal, for many reasons.

190. As with the CGP program, one of TAP's fatal defects is its explicitly temporary duration—it would expire just three years after Board approval. This limitation reflects Applicants' express intention that this mechanism *not be seen* as a means of remedying competitive harm. Instead, it is solely a short-term fix for potential near-term service disruptions arising from the merger.

191. Even if made permanent, however, TAP has major shortcomings.

- It excludes traffic moving under contract, intermodal traffic, and unit-train traffic.
- TAP's limitation to "terminals" creates ambiguity about the extent of its reach, and also would exclude large numbers of solely-served UP and NS customers.
- TAP's triggering mechanism—which requires a lengthy decline in service quality but can be avoided via a short-term improvement in service—would make it inaccessible for any purpose other than, potentially, addressing serious and persistent service problems on UP's post-merger network. But in the face of a service crisis, the ostensible remedy would still require shippers to rely on UP's first-mile or last-mile service (or both), undermining its effectiveness. A

[59] UP-80/NS-78 at 189-95.

customer experiencing poor service from UP-NS would still depend on UP-NS for the very service that is failing

- TAP's service-related trigger also means that it would be unavailable to provide any form of competitive hedge against UP's exercise of post-merger market power. TAP, for example, is utterly unlike the kind of access relief that rail customers have in Canada, where those within 30km of another carrier have access as of right.

192. Even if TAP were reconstituted as a competitive access remedy, its structural flaws would make it unworkable. TAP does not provide the predictable, durable access needed to support multi-year customer commitments and investment in competing service. Customers make routing decisions through bids and contracts, and they need to know an alternative carrier will be available for the life of a contract before they will invest the time to develop it. For example, CPKC has multi-year contracts across our Grain, ECP and Automotive businesses involving movements where some or all of the route is within the United States. Those agreements require CPKC and its customers to commit to a transportation plan covering multiple years, including rates, volumes and service expectations, and equipment and operating resources. Developing that business requires longer-term investment and infrastructure or track-maintenance decisions based on the continuation of the route. A customer cannot run an RFP around access that becomes available only after its service has failed badly enough to meet Applicants' thresholds, that may be contested through arbitration, and that ends after a short period.

193. Overall, customers don't make sourcing, routing, equipment, or facility decisions around a rail option that may only exist temporarily. Temporary access does not provide the

certainty that's needed for meaningful, lasting competitive alternatives, as the customer cannot know that the competing route will remain available for the life of its commercial commitment.

D. Applicants' Rate Arbitration Program Will Not Preserve Today's Competitive Landscape

194. Applicants' final "condition" enhancement in their Supplement is a mechanism for resolving regulatory rate reasonableness disputes. That proposal should be viewed against the Board's other recent rate-dispute mechanisms. The first, the Board's Final Offer Rate Review rule, UP challenged in court, criticizing it on the ground, among other things, that the approach was "unconstitutionally vague" because rail carriers "do not know how the Board will determine what is 'reasonable' in any given case. The court vacated the rule."[60] The second, the Board's Small Rate Case Arbitration Program, is voluntary for railroads, and UP and NS have never opted into it. Now, Applicants are willing to have their own rate dispute program in place for a few years, but only if their merger is approved.[61] As with CGP and TAP, Applicants' so-called "Rate ADR Program" is expressly temporary. It is also severely limited in scope and application. It basically would apply only when a shipper already would have a valid claim of rate reasonableness under ICCTA (in other words, not to contract rates, not to exempt commodities, not unless there is qualitative and quantitative market dominance, not to bottleneck rates, etc.), and using the program would require a shipper to accept a cap on its recovery and to relinquish any ability to assert a revenue adequacy theory of rate unreasonableness.

195. To my mind, this is a perfect example of how Applicants' proposed merger would convert today's relatively competitive market structure into one that was more reliant on regulation, with no serious effort to identify regulatory tools that could effectively rein in the

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60 *Union Pacific RR.* v. *STB*, 113 F.4th 823, 832 (8th Cir. 2024).

61 UP-80/NS-78 at 196-201.

conduct of a post-merger UP. And Applicants' program might never take effect at all. It becomes available only if the Board finds during oversight that the merger's anticipated benefits have not materialized in a timely manner, and it ends with oversight, or even earlier if UP-NS opts into the Board's Small Rate Case Arbitration Program. But merger benefits and competitive harm can exist side by side. The benefits Applicants promise could arrive on schedule while shippers suffer the harms I describe above, and in that case Applicants' program would offer those shippers no relief. Even if Applicants' proposed Rate ADR Program were permanent, it would not come close to replicating the competitive outcomes produced by today's pre-merger market structure.

196. Applicants' program also falls well short of the final offer arbitration ("FOA") that Canadian shippers have long had available. Under FOA, a shipper dissatisfied with a rate can submit the dispute to an arbitrator. The shipper and carrier each submit a final offer, and the arbitrator picks one. The decision comes within weeks and binds the parties. Applicants' program requires at least 30 days' advance notice and then allows 180 days after institution for a decision. It caps relief at an indexed $4 million, offers no relief below 180% R/VC, bars revenue adequacy arguments, excludes contract and exempt traffic, unless otherwise agreed, and expires when oversight ends.

VI. IF THE BOARD DOES ALLOW UP AND NS TO COMBINE, IT SHOULD IMPOSE CONDITIONS THAT AT LEAST ATTEMPT TO SAFEGUARD EXISTING INTERLINE RAIL OPTIONS AND FREE OTHER RAILROADS LIKE CPKC TO COMPETE MORE EFFECTIVELY

197. For the reasons I have explained, I do not believe that the UP-NS merger is in the public interest or that any set of conditions imposed on Applicants' proposed transaction could make it consistent with the public interest. The Board and the public would trade today's

competitive market structure for a more regulatory world that does a poorer job of meeting customer needs—even if regulatory mechanisms were up to the challenge of compelling UP's compliance with conditions.

198. If the Board concludes otherwise, however, it should impose a far more robust set of conditions than what Applicants have proposed, and ones less reliant on ongoing monitoring and enforcement by the Board.

199. I believe that the Board should at minimum try to achieve four objectives through conditions:

- The Board should impose a permanent and more robust set of protections for existing interline rail options, via haulage or other rate-making rights that would be as self-executing and self-enforcing as possible, perhaps modeled on a massively upgraded and permanent version of Applicants' "CGP" proposal;
- The Board should remove as many obstacles as possible to CPKC and other railroads competing more effectively against UP-NS, including by eliminating paper-barrier-like restrictions in trackage rights and other agreements between UP or NS, on the one hand, and CPKC, on the other. CPKC witness Gameiro reviews a number of the ways that such restrictions, unless removed, would block CPKC from offering competitive rail options that help mitigate the effects of the UP-NS transaction. I describe below how CPKC would be enabled to compete more effectively absent those restrictions;
- The Board should grant targeted access to solely-served UP and NS customers to help overcome the effect of the merger to place more of America's economy

under the sole control of the rail rate and service terms that UP deigns to offer; and

- The Board should grant specific additional relief to enhance CPKC's ability to mount effective competitive responses to UP's post-merger conduct.

200. I believe that even the full slate of conditions I outline above would not come close to restoring the full measure of competition supported by today's industry structure, but they would help make a bad situation less bad for America's rail network and its many stakeholders.

201. I have addressed above some of the core elements of any effective gateway-preserving condition, and other CPKC witnesses explain why the other categories of conditions are necessary to address harms from the UP-NS merger, or enable pro-competitive responses that help to offset harms that could not be remedied. In the sections below, I explain how CPKC would be well positioned to use additional rights it may obtain through conditions to provide shippers with effective alternatives to a post-merger UP Colossus.

A. CPKC's Proposed Conditions Providing Greater Scope for Competition in South Texas

202. As Mr. Gameiro explains, CPKC's ability to compete for chemicals and other traffic originating and terminating in South Texas is severely restricted today [redacted] Were CPKC freed of those restrictions, it would have greater access to solely-served UP shippers and the ability to pick up traffic served by PTRA in Houston and deliver it to points reached efficiently by CPKC's network. CPKC would be well positioned to act as an aggressive and motivated competitor of the post-merger UP.

203. The region between Houston and Corpus Christi contains a large concentration of shippers of many commodities for which rail plays an important transportation role—including chemicals, plastics, and refined products. The commodity flows fit CPKC's network well because we connect Texas with Mexico and, with the restrictions lifted, could connect Texas with the Midwest, Canada, and the East (via connections with CSXT, among others). As I explained above, many South Texas customers have facilities served by CPKC as well as facilities served only by UP, and a combined UP-NS would gain even more leverage over the latter.

204. With augmented rights, CPKC anticipates that it could, within three years, successfully attract significant volumes of newly competitive traffic, in three broad categories.

205. First, I anticipate that CPKC would attract approximately [redacted] loads: [redacted][62] in the Corpus Christi area and [redacted][63] in the Victoria-Bloomington area via reciprocal switching access to facilities near our lines in South Texas that UP alone serves

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62 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell C2.

63 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell C3.

today.[64] Of the [redacted] loads, I estimate that [redacted][65] would be newly handled by CPKC to/from points served by CPKC or reached via interline service, and [redacted][66] would involve traffic that CPKC participates in today via UP-CPKC interline service as to which reciprocal switching access would give CPKC an extended or single-line haul. Among the customer facilities where we anticipate competing hard for traffic and attracting some portion of current volumes, are the facilities of [redacted]

206. Second, the elimination of strict restrictions barring CPKC from using its UP trackage rights to serve transload facilities on our Victoria-Rosenberg line (our Rosenberg Subdivision, which CPKC owns outright) or serve customers who might desire to build into that line would unlock a formidable potential for CPKC to compete for significant traffic flows. It

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[64] My forecasts are based on the work of my marketing team in assessing the details of each marketplace opportunity to identify traffic that we could readily address if our requested conditions were imposed. We analyzed our own traffic history, RFPs from customers, and specific customer facilities that we are certain will use rail to ship their goods to create a universe of potentially addressable traffic. Then, we went through each opportunity and assessed how much of the addressable traffic we could serve if we were granted the rights that we are seeking. The resulting traffic projections are thus carefully calibrated to CPKC's ability to serve actual traffic that would be unlocked by the conditions.

Unless I state otherwise, each estimate reflects annual traffic in Year 3, the steady-state year after the applicable condition becomes effective. Our forecasts distinguish two kinds of traffic. "Extended-haul" traffic is traffic CPKC handles today for part of its route that CPKC would carry a longer distance on its own network if the condition were granted; because CPKC already handles that traffic, we assume that all of it would move to the longer CPKC haul. "Newly handled" traffic is traffic that CPKC does not handle today. Newly handled traffic is not necessarily new to the rail industry, and none of these estimates guarantee that CPKC would win the traffic. Some opportunities require more than one of the conditions we are requesting; where that is the case, I identify each condition the opportunity depends on, and the traffic is counted only once.

[65] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cells E2, E3.

[66] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cells D2, D3.

would be somewhat speculative to identify any particular opportunities, but CPKC knows from experience that shippers in this area are eager for rail transportation options that bypass UP's network, and CPKC would be eager to invest in serving those customers if opportunities arise.

[redacted] Based on our experience, I anticipate CPKC would attract [redacted] net new carloads if these barriers are removed.[67]

207. If the reciprocal switching rights were granted and these other restrictions were removed, CPKC anticipates earning [redacted] in revenues and [redacted] in net income.[68]

208. Third, I anticipate that CPKC's ability to move traffic of customers served by PTRA in Houston anywhere on CPKC's network, rather than being restricted to handling that traffic only to Corpus Christi and Mexico, would enable CPKC to attract approximately [redacted][69] loads—comprised of [redacted][70] newly handled carloads and [redacted][71] carloads for which CPKC would extend its existing haul. The newly handled traffic consists mainly of chemicals and plastics moving between Houston Ship Channel plants and CPKC-served points in

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67 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell C4.

68 *See* (HC) Brooks Incremental Revenue and Earnings Workpaper.xlsx 'Summary Pivot,' Cells B8, C8.

69 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell C5.

70 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell E5.

71 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell D5.

Canada and the Midwest. If this restriction were removed, CPKC anticipates earning [redacted] in revenue and [redacted] in net income.[72]

209. As I explained in the *CP/KCS* proceeding, the benefits from CPKC's expanded access would not be limited to the specific traffic opportunities that CPKC ultimately wins. In my experience, a credible competitive alternative changes the tenor of negotiations even for customers that stay with their existing carrier. When a customer can put a real CPKC option in front of UP-NS, they have more leverage to obtain better rates and service, and UP-NS has more reason to improve its own offerings.

B. CPKC's Proposed Conditions Providing Greater Scope for Competition for Rail Traffic in the Baton Rouge Area

210. For similar reasons, CPKC would be a motivated competitor for traffic moving to/from UP sole-served customers west of the Mississippi River near Baton Rouge. I anticipate that, with reciprocal switching or direct access to facilities between West Baton Rouge and Allemania, LA, as described in Mr. Redd's Verified Statement, CPKC would attract approximately [redacted][73] incremental annual loads [redacted][74] newly handled and [redacted][75] extended-haul loads). Among the shippers whose facilities we would compete to serve are [redacted] These are major producers of plastics and caustic soda, and CPKC could offer them competitive service to the Midwest, Mexico, and Canada. CPKC would not need to make significant new investments

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[72] *See* (HC) Brooks Incremental Revenue and Earnings Workpaper.xlsx 'Summary Pivot,' Cells B9, C9.

[73] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell C6.

[74] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell E6.

[75] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell D6.

or build out new capabilities to offer that service; we could begin competing for this traffic as soon as access is granted. We anticipate earning [redacted] in revenues and [redacted] in net income from this traffic.[76]

211. These facilities are served solely by UP today, and much of the chemical and plastics production west of the river near Baton Rouge is concentrated at them. CPKC already serves the Baton Rouge area and moves traffic from there via both Shreveport and New Orleans. Indeed, even today, [redacted] demonstrating that customers at these facilities value a CPKC routing option and would make greater use of it with direct access. Traffic we win from these facilities could move north via Shreveport to the Midwest and Canada or east via interchange with CSXT (or legacy-NS) at New Orleans or Meridian (or Myrtlewood for CSXT).

C. CPKC's Proposed Conditions Providing Greater Scope for Competition Using Its Chicago-Detroit Rights

212. CPKC currently depends on NS-owned infrastructure to serve traffic between Chicago and Detroit. Restrictions in our trackage rights agreement with NS largely preclude us from interchanging with other carriers via these rights or handling traffic moving between points in the United States and Mexico and points in Southeast Michigan.

213. The elimination of restrictions on interchange with Conrail and Ann Arbor Railroad (which connects the trackage rights lines to Toledo-area auto plants via Milan, MI), coupled with the removal of restrictions on handling certain traffic using our rights, would unlock the potential for CPKC to compete for finished auto traffic originating at Detroit- and

[76] *See* (HC) Brooks Incremental Revenue and Earnings Workpaper.xlsx 'Summary Pivot,' Cells B11, C11.

Toledo-area plants, as well as enable us to invest in facilities that would serve a broader group of customers in Southeast Michigan that today are inaccessible to CPKC because of trackage rights restrictions. I estimate that the removal of these barriers would allow CPKC to attract approximately [redacted][77] incremental annual movements. That includes approximately [redacted][78] movements of intermodal containers, automotive parts, boxcars, and autoracks, which I describe in more detail below, and a separate [redacted][79] finished-vehicle loads through the Conrail interchange. I anticipate CPKC earning [redacted] in revenues and [redacted] in net earnings from this traffic.[80]

214. Most of that opportunity would come from more effective intermodal offerings to Southeastern Michigan, which CPKC would pursue were it no longer blocked from doing so by NS-imposed contractual restrictions. Today, our intermodal rights on NS's lines are limited to movements between Canada and Detroit. CPKC attempts to participate in intermodal shipments of auto parts to/from Detroit via over-the-road movements between Detroit and our Bensenville intermodal facility outside Chicago, but drayage costs handicap our competitiveness. I estimate that the Detroit intermodal auto parts market encompasses approximately [redacted] of annual traffic, and UP-aligned intermodal marketing companies [redacted] Direct access for intermodal traffic to

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77 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cells C9, C10.

78 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell C10.

79 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell C9.

80 *See* (HC) Brooks Incremental Revenue and Earnings Workpaper.xlsx 'Summary Pivot,' Cells B7, C7.

Detroit would lower drayage costs for CPKC's intermodal customers and allow CPKC to compete with a single-line solution from suppliers to OEM assembly plants.

215. Although CPKC has a very limited network as compared to larger Class Is and even more so compared with UP-NS, CPKC would be well positioned to offer an effective competitive service to UP-NS for auto parts shipments between Mexico and the Detroit area, but only if it is not prohibited from reaching Southeast Michigan by rail. With the removal of the outright prohibition on CPKC's handling of Detroit-bound intermodal loads using our trackage rights, CPKC would also evaluate developing its own auto ramp, intermodal terminal, and potential transload facilities adjacent to our trackage rights route. Southeast Michigan is the center of North American automotive production, and supply chains linking Detroit- and Toledo-area assembly plants with suppliers in Mexico are among the fastest-growing rail opportunities. With a terminal in Southeast Michigan, and the ability to connect that terminal with CPKC's network at Chicago, CPKC could offer a single-line rail solution from parts suppliers to assembly plants. CPKC believes that the intermodal opportunity described above would encompass approximately [redacted][81] loaded auto-parts containers moving annually from Mexico and [redacted][82] annual return containers carrying parts racks. Separately, expanded interchange rights with Ann Arbor would allow CPKC to compete for approximately [redacted][83] annual autorack carloads and [redacted][84] annual auto-parts boxcar loads by Year 3.

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[81] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Volume Data," cells L56-58.

[82] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Auto Parts Bid Volume INT," cell D23.

[83] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Autos Production Forecast INT," cell J61.

[84] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Volume Data" cells K54-55.

Together, these opportunities account for the [redacted][85] incremental annual movements identified above, consisting of [redacted][86] newly handled movements and [redacted][87] extended-haul movements. They are separate from the [redacted] finished-vehicle carloads through the Conrail interchange.

D. CPKC's Proposed Conditions Providing an Improved Route and Greater Customer Access Between Kansas City and St. Louis

216. Kansas City and St. Louis are two of the most important Mid-Continent gateways and major industrial hubs. Today, UP and NS each operate direct routes between those cities and compete for traffic in that corridor. CPKC's former Gateway Western route connects these cities via Roodhouse, IL, a materially less direct route. The merger would place the two best routes under common control.

217. I am aware that CN has reached a Memorandum of Understanding with UP pursuant to which it would receive haulage or trackage rights over UP's route between St, Louis and Kansas City. I am also aware that CSXT has indicated that it may seek a condition granting it the divestiture of, or trackage rights over, the same UP line.

218. To my knowledge, neither the CN proposal nor the CSXT proposal makes very much sense. Both would introduce a new carrier, and new complexity, into the Kansas City Terminal, as Mr. Redd explains. The CN proposal in particular appears to be a bit like a bridge to nowhere, much like CN's proposal to acquire CPKC's line between Kansas City and Springfield in the *CP/KCS* proceeding.

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[85] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell C10.

[86] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell E10.

[87] *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell D10.

219. CPKC already operates an independent route between Kansas City and St. Louis, and with an improved route in the corridor, CPKC would be capable of remedying the loss of competition associated with the merger in a simpler and more straightforward way. CPKC's proposed rights over NS's line between Mexico, MO and St. Louis, and the related close-the-gap rights over TRRA to reach St. Louis, would enable CPKC to provide a faster and more efficient route connecting Kansas City and St. Louis. CPKC would eagerly pursue new traffic opportunities, including the potential restoration of CPKC-CSXT intermodal service between Kansas City and St Louis, for movement via CSXT to terminals across its network. Such traffic could include intermodal shipments bridged between BNSF and CSXT via CPKC's improved route.

220. CN's proposal, by contrast, could balkanize traffic flows in this corridor in a way that undermines effective competition against post-merger UP.

221. CPKC's access to GM's assembly plant at Wentzville (which is currently solely-served by NS) would make a particularly meaningful contribution to improving the post-merger competitive environment. GM is among the customers for which UP would become far more indispensable as a result of acquiring NS. By providing GM with a rail transportation option other than UP, CPKC's access to this facility would help counteract the increased stranglehold that UP would have over this important shipper. The proposed rights sought by CN and CSXT would not address this issue, because the UP line over which they seek rights does not serve Wentzville.

222. With local shipper access to customers on NS's St. Louis-Mexico line, I anticipate that CPKC would attract approximately [redacted][88] incremental annual loads: approximately [redacted][89] newly handled loads at Wentzville, MO and approximately [redacted][90] loads to/from shipper facilities west of Wentzville (comprised of [redacted][91] newly handled and [redacted][92] extended-haul loads). We anticipate earning [redacted] in revenue and [redacted] in net earnings from this traffic.[93]

E. CPKC's Proposed Conditions Removing [redacted] to Certain Transcontinental Intermodal Traffic Moving via the Meridian Speedway

223. As I described above, the Meridian Speedway shows what independent railroads can accomplish together. Under the agreements governing the Meridian Speedway joint venture,

[redacted]

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88 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cells C8, D7 E7.

89 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell C8.

90 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cells D7, E7.

91 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell E7.

92 *See* (HC) Brooks Traffic Volume Projection Workpaper.xlsx, tab "Sources of New CPKC Traffic," cell D7.

93 *See* (HC) Brooks Incremental Revenue and Earnings Workpaper.xlsx 'Summary Pivot,' Cells B10, C10.

224. Today, NS's primary interline partner for this exclusive traffic is UP. UP, CPKC, and NS operate highly effective and high-speed interline service between California and NS-served terminals in the Southeast on a daily basis. Mr. Redd explains this service in more detail.

225. NS is not limited to working with UP, however. Just as CPKC has developed good working relationships with both NS and CSXT for traffic moving via the Speedway between Dallas and the Southeast, and between Mexico and the Southeast, NS has the right to work with BNSF as well as UP for the so-called "NS Traffic" between California and the Southeast. (BNSF-NS traffic would move via Dallas and Meridian under haulage provided by CPKC.)

226. Were UP to acquire NS, that potential competitive option would be extinguished. UP would have no incentive to allow its arch-rival in the West (BNSF) to take advantage of the premier service route between California and the Southeast in direct competition with UP's service. In order to preserve the potential for the Meridian Speedway route to support competing transcontinental services following a UP acquisition of NS, NS's exclusive access to the Speedway would have to be relinquished, so that BNSF, CPKC, and CSXT could provide service via the Speedway in competition with UP-CPKC-NS routings.

F. CPKC's Proposed Condition Preventing UP from Gaining Control of the Wylie Intermodal Terminal

227. The Wylie intermodal terminal raises a related concern. As Mr. Gameiro explains, under the agreements that created the Meridian Speedway joint venture, NS acquired an option to buy CPKC's Dallas-area intermodal terminal, which today is located at Wylie, TX.

[redacted]

228. CPKC accepts the fact that NS, so long as it is independent of UP, is entitled to exercise its contractual option rights (though the scope of those rights is not without dispute).

However, UP's acquisition of NS would radically alter the competitive landscape. UP already controls two of the intermodal facilities serving the Dallas/Ft. Worth region, and if it is allowed to acquire NS, and [redacted] UP would own three of four Dallas-area terminals, and CPKC would own none.

229. In addition, though NS would be obligated to support CPKC's intermodal traffic at the Wylie Terminal, if NS comes to own that terminal, much of CPKC's traffic there would not be competitive with pre-merger NS. Thus far in 2026, [redacted] of CPKC's Wylie traffic volume moved to or from points for which NS does not currently compete, but UP does (e.g., Mexico and Minneapolis). Were UP to acquire NS, however, 100 percent of CPKC's intermodal traffic would be directly competitive with UP's Mexico-Dallas, Dallas-Chicago, and Dallas-Atlanta (legacy-NS) services.

230. In addition, CPKC's non-intermodal facilities at Wylie support substantial business that is also directly competitive with UP. CPKC moves a substantial amount of carloads through Wylie across a range of industries, including pulpboard and fiberboard, finished automobiles, trucks, Portland cement, kiln-dried lumber, and carbon dioxide. The scale and diversity of that business illustrates why NS's ongoing effort to acquire Wylie is concerning.

[redacted] If NS prevailed, it would threaten CPKC's ability to provide this non-intermodal service at Wylie.

231. A condition requiring that UP relinquish to CPKC any rights NS might ultimately acquire in the Wylie Terminal would restore the current competitive environment, in which CPKC supports CPKC-NS intermodal traffic but also is unfettered in its ability to compete with

UP for intermodal traffic using the Wylie Terminal, without simultaneously relying on UP to help CPKC compete with it.

G. CPKC's Proposed Condition Precluding Enforcement of Paper Barrier Restrictions at Rosemount and Fairmont, Minnesota

232. As Mr. Gameiro explains, CPKC's network reaches two important points in Minnesota where CPKC's ability to serve rail customers is restricted by provisions in agreements with UP: Rosemount, MN, southeast of the Twin Cities, and Fairmont, MN, west of the Twin Cities.

233. At Rosemount, Flint Hills Resources operates the Pine Bend Refinery, which has a capacity of [redacted] barrels per day and supplies more than 10 percent of U.S. asphalt demand. Today, CPKC moves a relatively small number of carloads annually of Pine Bend traffic to Eastern connections reached via Chicago, in direct competition with UP. CPKC's network is well positioned to compete for substantially more of Flint Hills' outbound traffic, but [redacted]

234. The merger would heighten the problem: the combined UP-NS network would extend east of Chicago and would include [redacted]

[redacted] of the traffic CPKC moves over Chicago, increasing UP-NS's ability to bundle and lock out competition.

235. Fairmont presents the same problem. As Mr. Gameiro explains, CPKC operates on UP trackage rights through town but does not have access to local customers, including [redacted] Those facilities have effectively no rail alternative to UP. CPKC has preliminarily identified meaningful opportunities to attract traffic to/from these facilities were CPKC enabled to compete. If CPKC were able to compete, we believe we could offer these shippers a real competitive alternative, giving them leverage with UP and giving CPKC access to markets that only UP can reach today. The paper barrier stands in the way.

236. Today, a shipper that is unhappy with one railroad can turn to an interline alternative, and that choice keeps every carrier honest, including UP and NS. The UP-NS merger would take that choice away, and no set of conditions can restore it. The Board should deny the application. If it does not, it should at minimum impose the conditions CPKC has requested.

VERIFICATION

I, John Brooks, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this statement.

Executed on this 18 day of November, 2026.



John Brooks

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF JOHN BROOKS

EXHIBIT 1

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May 28, 2026

The State of the Rails

This is a weekly report that monitors operational trends for the North American Class I railroads. This edition incorporates operating data through May 22.

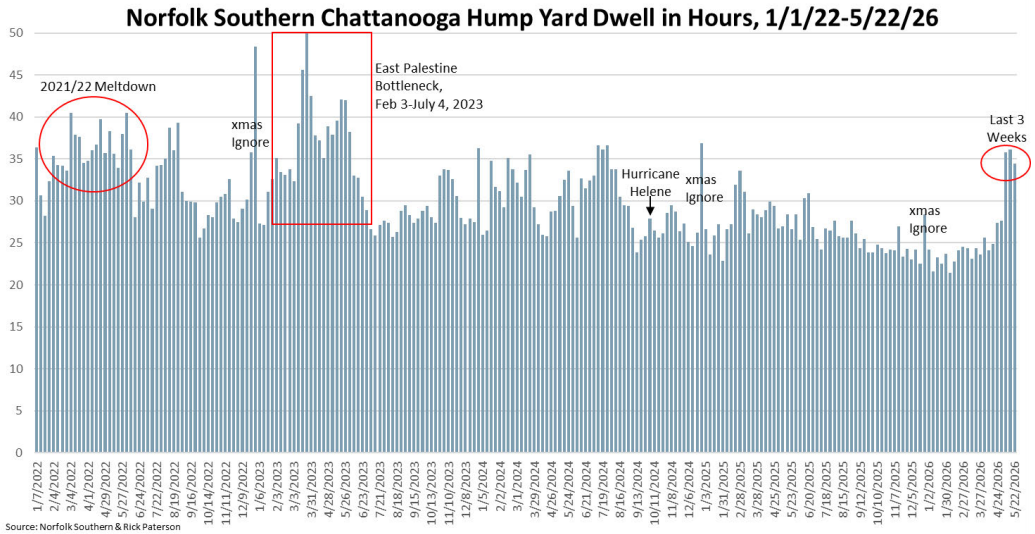
NS Network Precarious; Needs Memorial Day Assist

In our May 1 report we highlighted the network slowdown at Norfolk Southern and erosion in some of its other key operating metrics. If you've been reading the NS sections of subsequent reports you know things have gone from bad to worse, culminating in another bad batch of data for the week ending May 22. The negative operating momentum that has taken hold in this network has, at this point, become alarming. Pages 21-25 have all the charts and detail, but here are the main bullet points in terms of where we currently stand:

- **Velocity** lost another 0.2 mph to 19.4 in the week ending May 22. For perspective, it troughed at 19.7 during Hurricane Helene in September 2024, and we need to go back to an arctic blast in the last week of 2023 to find a lower number. Manifest network velocity of 16.8 mph is a low not seen since the East Palestine bottleneck in the first half of 2023, intermodal velocity lost another 2.4% last week to a new post-Hurricane Helene low, and average speed in the coal network is only 2.9% above its two-year low. The grain network is not much better. Merchandise trip plan compliance fell to a 3-year low 65% last week.
- **Terminal dwell** has been sequentially higher in nine of the 12 weeks since the end of February and now sits at levels not seen since early November 2023. Within this, average dwell for NS's six hump yards hit 31.8 hours last week, a two-year high.
- **Cars online** have grown by 7,120 (4.4%) over the last eight weeks and also sits at a two-year high. The proportion of this fleet that is slow-to-move (idle 48+ hours) has also been rallying for two months from 2.0% to 2.8%. It averaged 2.2% across 2024 and 2025.

We could go on, but you get the picture. Operationally, NS has been stuck in reverse gear.

The reason Class I railroads are the most difficult transportation networks to manage is due to the dedicated right-of-way. In a truck, air, or ocean network a problem can usually be contained, but in a rail network there's endless domino effects where Problem 1 creates Problem 2, which creates Problem 3, and so on. The latest nasty surprise has been the Chattanooga hump yard:



This is not a financial markets product and nothing in this report shall be construed as investment advice. All underlying data publicly available.

The chart starts in 2022 during the Service Crisis, which caused average weekly dwell at DeButts Yard in Chattanooga, TN to run between 35-40 hours, which was ~10 hours higher than normal. The next series of spikes was following the East Palestine derailment in early February 2023 and subsequent five-month bottleneck (one of two tracks out) on its critical mainline between Chicago and the northeast. Now fast forward to September 2025 through mid-April 2026 and yard performance was very good; averaging 24.1 hours.

Now look at the last three weeks: 36, 36, 34.

We're now on alert for contagion. The first place we checked was the Birmingham, AL hump yard, which was ground zero for NS's last two meltdowns in 2018 and October 2021. It's been processing cars five hours slower than normal over the last four weeks (versus 10 hours slower at Chattanooga). Dwell at NS's four other humps is, so far, within normal parameters.

How Did We Get Here?

We haven't spoken to anyone at NS about this, but we don't think this is an operating talent problem. COO John Orr and his team had this network running well in 2024 and 2025, so they clearly know what to do and how to do it. Our cynical view, of course, revolves around the resources made available to them.

Here we have a company in NS seeking an acquisition premium for its stockholders from Union Pacific. UP is running well and has a 7% lower operating ratio (59.5% vs. 66.8% in 2025). Consequently, there is immense pressure on NS to close the OR gap to UP, or at least not let it get any wider, which necessitates lower headcount. Where do 83% of NS employees reside? Operations.

If this was the case in late 2025, we then went into the weird, bifurcated, winter, where the eastern railroads were hit particularly hard. Then we had the freak March 7 derailment and ~48-hour mainline outage at Horseshoe Curve in Pennsylvania. There's always one more thing.

All guesswork, of course, but this would explain how the network has devolved into such a state. As usual, operations is expected to work daily miracles with not quite enough people and not quite enough capital.

What Happens Next – One Tailwind and One Headwind

Long-time readers are by now experts on the Memorial Day effect. Big public holidays are more than just a one day tailwind, with customer facilities less active on the other four days of the work week due to employee vacations. Add in the weekends on either side and the railroads have nine days of reduced volume pressure to work down yard backlogs (Chattanooga and Birmingham) and reposition crews and power. There's also often a "slingshot effect", where velocity accelerates in both the week including the holiday and the subsequent week. Obviously, NS needs to exploit this year's Memorial Day effect (and Fourth of July effect) to the max. Let's see how they do.

The headwind, ironically, relates to volumes. Volumes and operations usually move in oppositive directions. Weaker volumes = less volume pressure = better asset turns and network health, but it's the reverse we're now worried about. Given its weakened state, an unanticipated volume surge could sink NS, and that could well happen.

After a four year freight recession where a lot of truckload capacity exited, truck spot rates have been rallying since the last week of January and now sit at records not seen since January 2022 (according to FTR and Truckstop.com). This will soon feed into contract rates because the trucking industry, in general, operates on an annual bid cycle, versus a ~3 year average cycle at the railroads.

Fuel surcharges will have an even bigger effect in the short term. Given the spike in diesel due to the Iran War, trucking customers feel the pain immediately because most fuel surcharges in the trucking industry are marked-to-market weekly, versus a two month lag in the rail industry (the average price in May determines the surcharge for July, for example).

We're therefore in a situation where the typical ~15% price premium of truck over rail is rapidly expanding. All else being equal, this will shift some business from truck to rail until all the forces above reset and normalize. This volume windfall is already visible at BNSF, with intermodal loads up

7.5% QTD, and CSX, with intermodal volumes up 6.1% and carloads up 4.6%, netting to a gain of 5.3% at CSX. NS is running at +2.6% QTD, but volumes are also accelerating – up 4.2% YoY last week. Volumes are normally a good thing, but the associated volume pressure on the network is the last thing NS needs right now.

As an aside, a lot of big rail shippers, burned by the meltdowns between 2014-2022, have been wary of putting too much freight on the railroads until they can prove they're able to maintain adequate service levels during a period of rising loads. Here we go.

What to Look for Going Forward

There are basically three scenarios that could play out from here, and we'll know over the next three weeks which one we get:

Best Case. The Memorial Day and subsequent slingshot effects work, pulling NS out of the ditch and allows it to start spinning up again: better speed creates buffer capacity, which enables more speed, etc. This is the operating inflection that NS and UP need to happen to keep merger hopes alive.

Mid Case. The Memorial Day effect stops the bleeding, but the network remains stagnant in terms of recovery momentum and just starts going sideways. While it's not getting worse, the network remains fragile and vulnerable to the next volume surge, hurricane, derailment or bridge fire in the wrong place. The Fourth of July effect becomes the next best hope. This is the least likely scenario as rail networks under pressure rarely "hover" like this. They're more like concertinas: expand, inflect, contract, inflect, expand, etc.

Worst Case. We're already past the meltdown event horizon and nothing management does from here matters. Velocity will dead cat bounce for a week or two on the back of Memorial Day, but then the negative gravity in the network reasserts itself and the grinding slowdown we've been seeing since February continues. Union Pacific throws in the towel on the merger knowing the STB will translate imminent NS service failures forward as excessive integration risk. Customers say "I told you so" in terms of the ability of the Class I's to maintain service consistency. Industry credibility takes another beating. I give up.

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The State of the Rails

Running well (green): Union Pacific, BNSF, CPKC.

Running normally (yellow): Norfolk Southern, CSX, Canadian National.

Running poorly (red):

Service Matrix: **Equally-weighted Velocity + Terminal Dwell versus each Railroad's Post-recession Average**

	2010				2011				2012				2013				2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UP	5%	12%	8%	8%	4%	7%	-1%	2%	5%	9%	5%	5%	1%	2%	5%	-4%	-19%	-18%	-18%	-23%	-18%	-10%	-7%	-4%	1%	3%	-3%	-5%	-14%	-6%	-13%	-24%
BNSF	-5%	8%	1%	-2%	-9%	-5%	-14%	-9%	9%	12%	5%	7%	9%	0%	-3%	-20%	-31%	-29%	-27%	-21%	-7%	-1%	-1%	8%	15%	20%	5%	4%	-11%	-4%	3%	6%
CSX	-22%	-13%	-17%	-19%	-27%	-26%	-12%	-17%	-8%	-4%	-3%	-5%	5%	4%	6%	-1%	-28%	-30%	-27%	-27%	-34%	-21%	-21%	-17%	-22%	-18%	-22%	-27%	-26%	-13%	PSR -35%	-16%
NS	-4%	-2%	1%	-5%	-14%	-3%	0%	-4%	16%	19%	22%	22%	19%	21%	21%	18%	-2%	2%	-12%	-34%	-27%	-8%	-3%	5%	6%	11%	8%	4%	3%	-6%	-5%	-15%
CN	3%	11%	13%	7%	-3%	9.8%	9%	10%	9%	15%	16%	8%	-9.6%	16%	22%	4%	-27%	9%	6%	0%	-5%	14%	19%	21%	21%	26%	26%	16%	6%	14%	3%	-19%

Impact of 2014 Polar Vortex

CN Meltdown
Hurricane Harvey

	2018				2019				2020				2021				2022				2023				2024				2025				2026	L3M
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
UP	-27%	-14%	-16%	PSR -4%	-8%	-5%	6%	11%	6%	20%	9%	14%	6%	8%	1%	-1%	1%	-3%	-3%	-2%	1%	3%	1%	8%	3%	3%	4%	9%	6%	10%	15%	22%	22%	19%
BNSF	1%	-4%	-8%	-8%	-16%	-14%	-8%	-1%	8%	19%	11%	13%	3%	3%	3%	-2%	-12%	-9%	-1%	1%	-6%	-1%	6%	6%	-7%	-1%	9%	15%	13%	19%	18%	19%	16%	13%
CSX	-9%	2%	15%	19%	28%	26%	27%	40%	40%	37%	20%	15%	11%	12%	8%	3%	-4%	-12%	-4%	18%	33%	30%	25%	24%	21%	19%	18%	9%	3%	11%	24%	24%	12%	9%
NS	-34%	-36%	-23%	PSR -20%	6%	25%	28%	29%	31%	37%	24%	7%	-7%	-2%	3%	-28%	-27%	-31%	-19%	-12%	-16%	-32%	-3%	-9.8%	-2%	3%	9%	9%	9%	4%	9%	8%	9%	-3%
CN	-45%	-16%	-15%	-14%	-28%	0%	-8%	-12%	-19%	-15%	-35%	-13%	-20%	-5%	-4%	-9%	-36%	1%	6%	1%	6%	9%	3%	6%	-1%	1%	1%	3%	-14%	4%	4%	3%	-8%	-3%
CPKC	< Pre-CP & KCS Consolidated Data >								21%	19%	12%	5%	-11%	-1%	15%	15%	-8%	-6%	-8%	-16%	-21%	-12%	-20%	1%	2%	7%	-4%	-4%	-4%	-1%	-1%	11%	8%	13%

CN & NS Meltdowns
UP & NS Adopt PSR
Midwest Flooding
Record industry service, aided by COVID lockdowns
COVID
2021 Polar Vortex
Omicron Spike
2022 Service Crisis
NS East Palestine KCSM Meltdown
CN Mini-crash
UPDATED

Railroad is turning assets *within* 10% of its post-recession average
Railroad is turning assets >10% *faster* than its post-recession average
Railroad is turning assets >10% *slower* than its post-recession average

How does the chart work?

e.g., Velocity 10% better than its post-recession average + dwell 10% better than its post-recession average = 20%.
Velocity 10% worse + Dwell 10% worse = -20%.
Velocity 10% better + Dwell 10% worse = 0%.

Post-recession defined as Q1 2010 through the present. L3M = Last 3 Months (last 13 weeks trailing average).

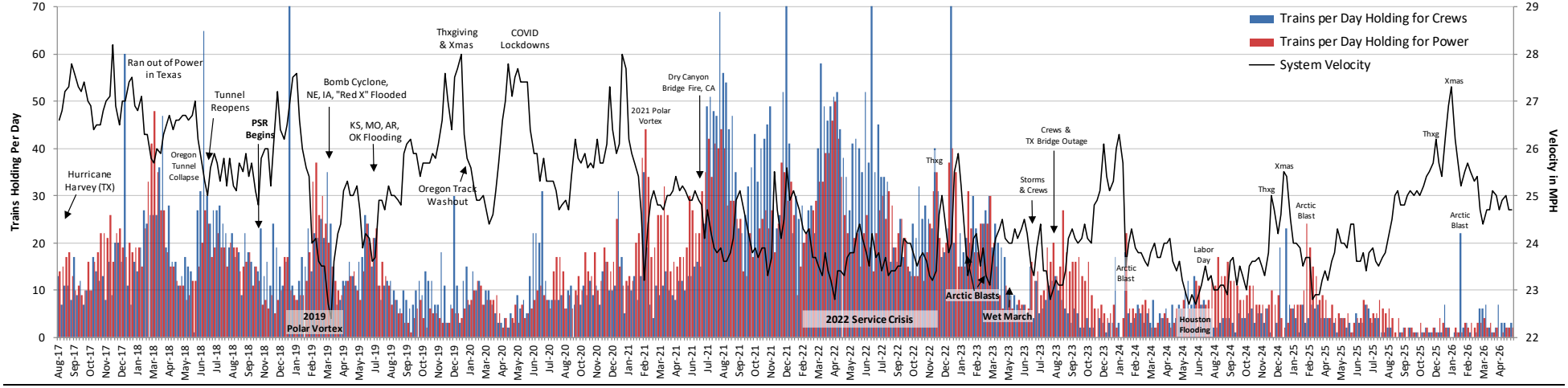
Source: Surface Transportation Board & Rick Paterson.

Union Pacific

Network Velocity and Trains Holding for Crews and Power

Velocity was unchanged in the week ending May 22, with current speed a little below the 25 mph historical efficiency benchmark we often refer to. Trains holding for crews increased by one to three per day while trains holding for power was sequentially flat at just two.

Figure 1: Union Pacific Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

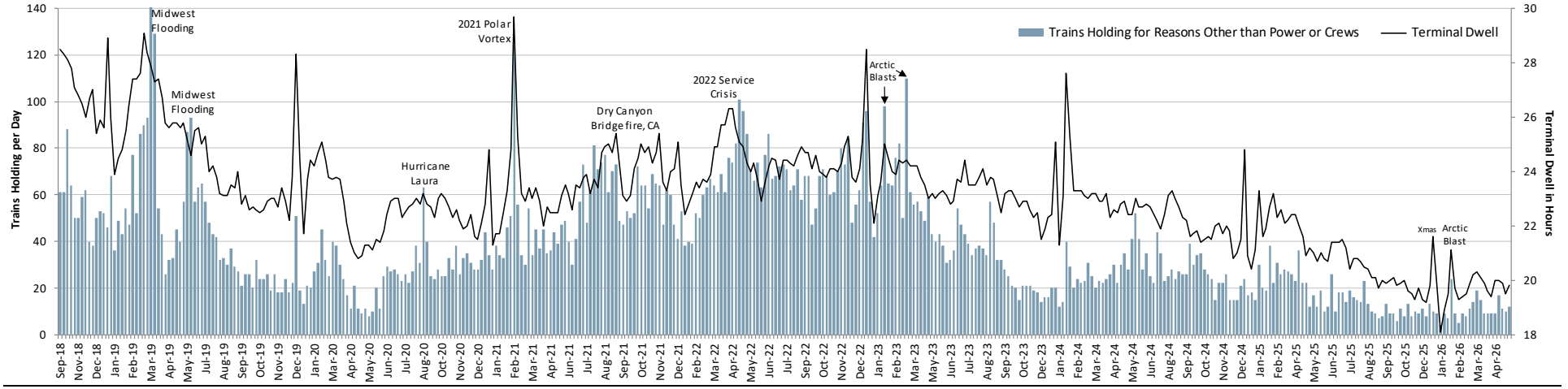


Source: Union Pacific & STB. UP trains holding is based on a daily snapshot that counts the number of trains delayed by four hours or more at a certain time every day.

Terminal Dwell and Trains Holding for Other Reasons

Terminal dwell remains strong at 19.8 hours on average across UP's yards. Trains per day holding for all reasons other than power and crews (e.g., weather) increased from 10 to 12 per day last week.

Figure 2: Union Pacific Terminal Dwell and Trains per Day Holding for Reasons Other than Power and Crews (lower is better for both)

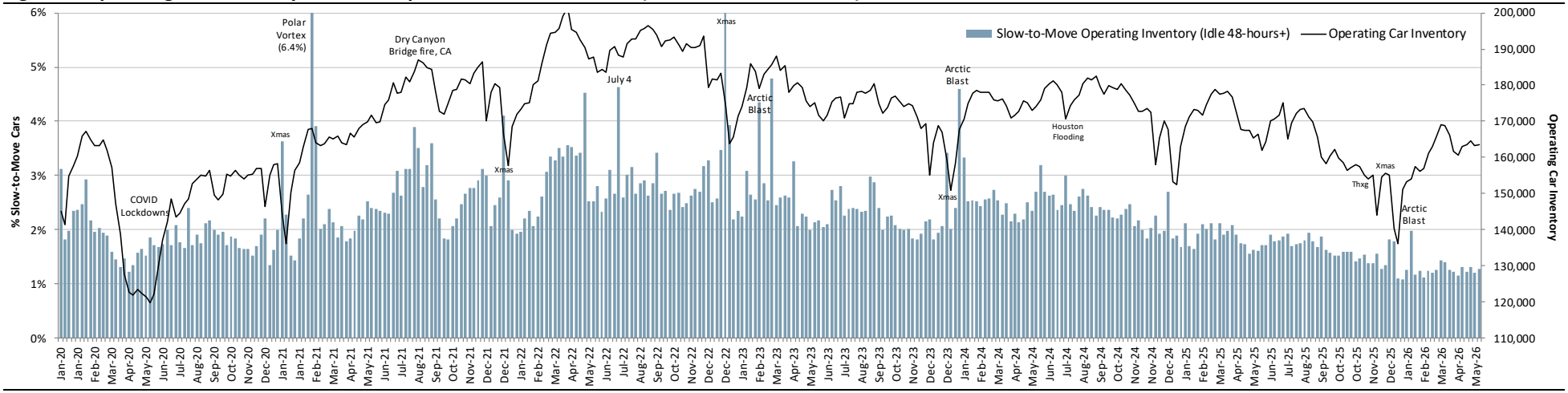


Source: Union Pacific & STB. UP trains holding is based on a daily snapshot that counts the number of trains delayed by four hours or more at the same time every day.

Operating Car Inventory and the Proportion Slow-to-Move

Operating inventory remains higher than it was in the back half of 2025, but still decent in absolute terms. The proportion of these cars idle for 48+ hours remains at good levels of 1.2-1.3% in most weeks.

Figure 3: Operating Car Inventory and the Proportion Idle for 48+ hours (lower is better for both)

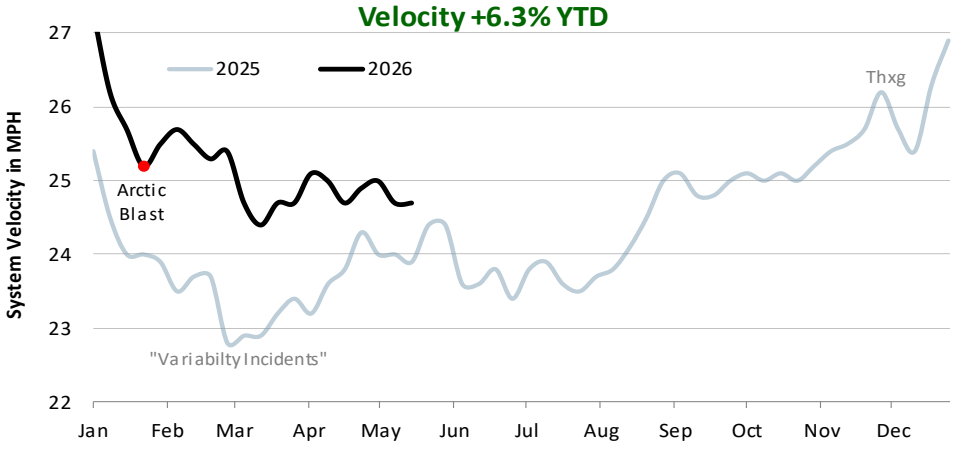


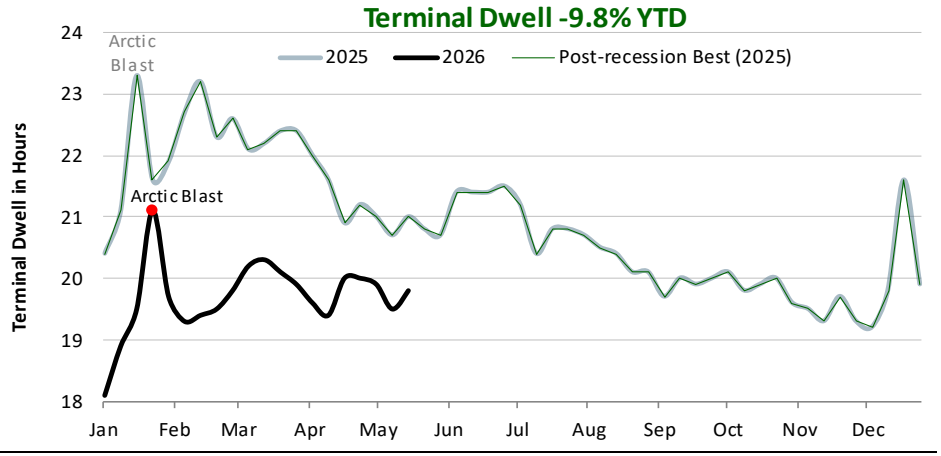
Source: Union Pacific & STB. UP Operating Car Inventory defined as "cars in normal movement, hold, or released at customer status. Excludes cars at industry for loading or unloading, offline or stored. Articulated well and spine cars counted individually. Excludes non-revenue cars."

Year-over-Year Network Velocity and Terminal Dwell

On a YoY basis these charts are strong and 2025 comps won't get tough until the second half of the year.

Figure 4: Union Pacific System Velocity and Terminal Dwell



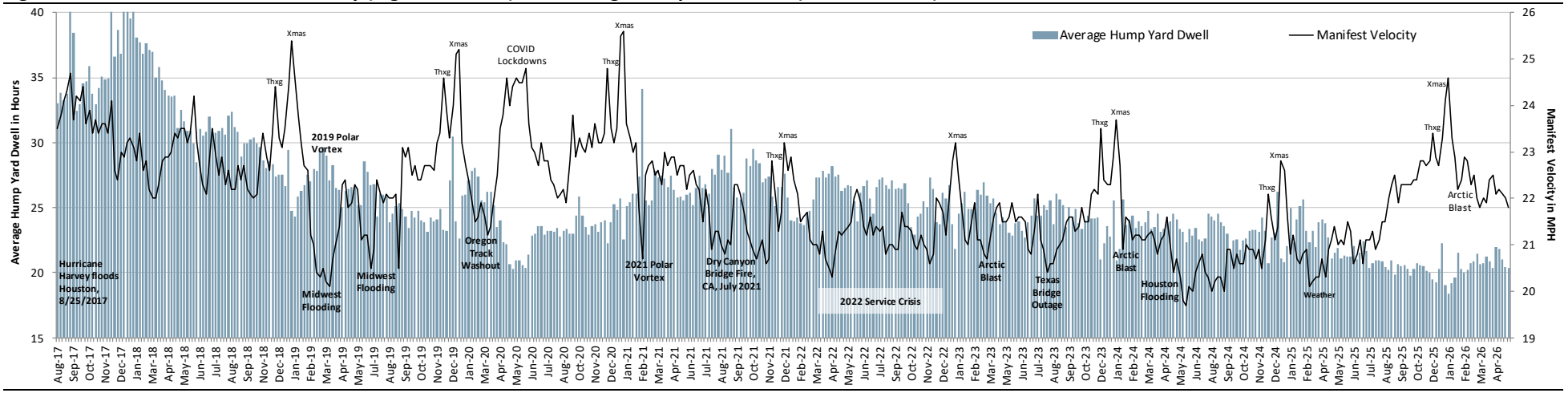


Source: Union Pacific & STB. Velocity post-recession best not shown, but it was a weekly average of 28.4 mph in 2012.

Manifest Network Efficiency

Manifest velocity downticked for a third week through May 22, but remains above its five-year trailing average. Average dwell for the seven hump yards that support this network improved slightly to 20.4 hours, which remains industry-leading.

Figure 5: Union Pacific Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

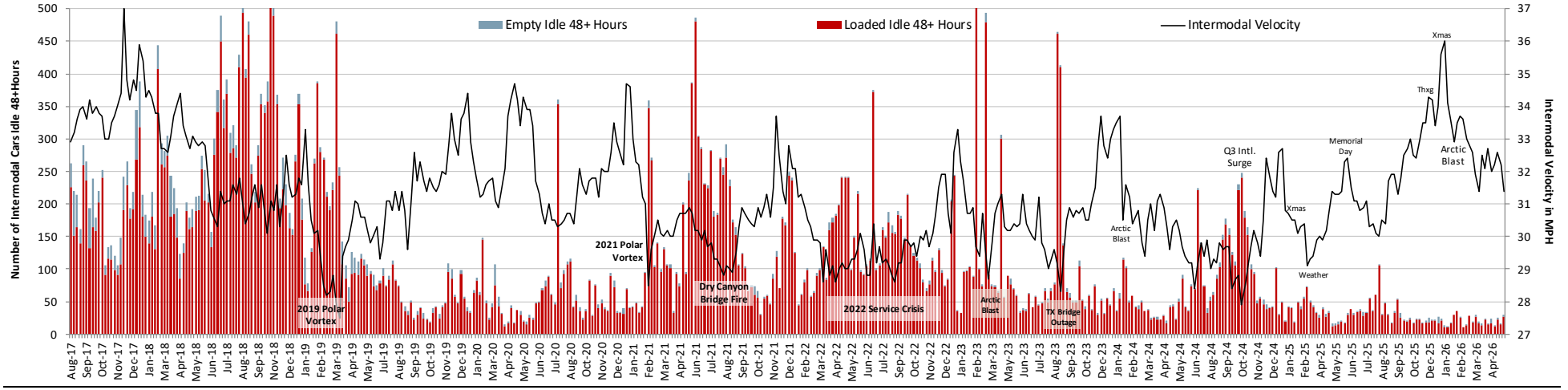


Source: Union Pacific & STB. Hump Yard Dwell is average dwell for Union Pacific's seven active hump yards. Note that North Platte in Nebraska, the biggest, is a dual hump and only dwell for the westbound hump is reported publicly; eastbound is not.

Intermodal Network Efficiency

Intermodal average train speed saw a material backstep last week; down 0.8 mph (2.5%). The number of slow-to-move platforms (columns) remains minimal, which suggests a wide breadth of fluidity.

Figure 6: Union Pacific Intermodal Velocity (higher is better) and the Number of Slow-to-Move Platforms (lower is better).

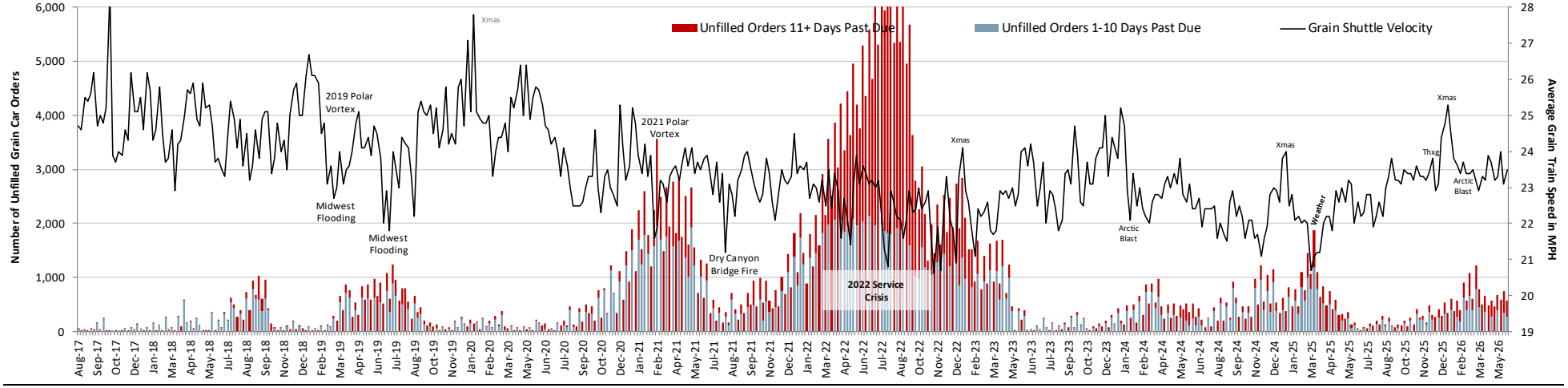


Source: Union Pacific & STB.

Grain Train Efficiency

Average grain train speed upticked in the week ending May 22. Unfilled grain car orders also improved, from 745 to 568, and remains in the normal range.

Figure 7: Union Pacific Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

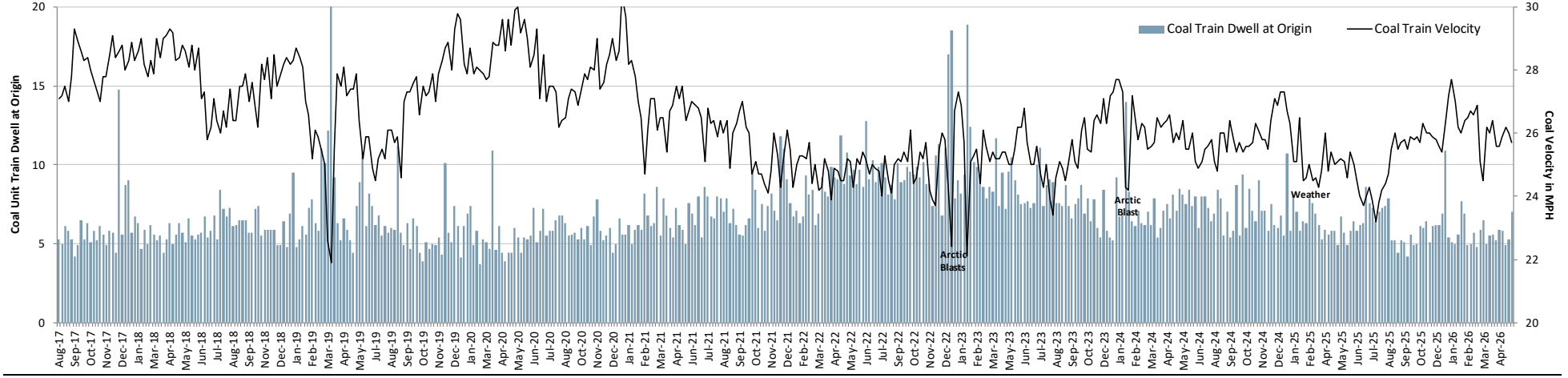


Source: Union Pacific & STB.

Coal Train Efficiency

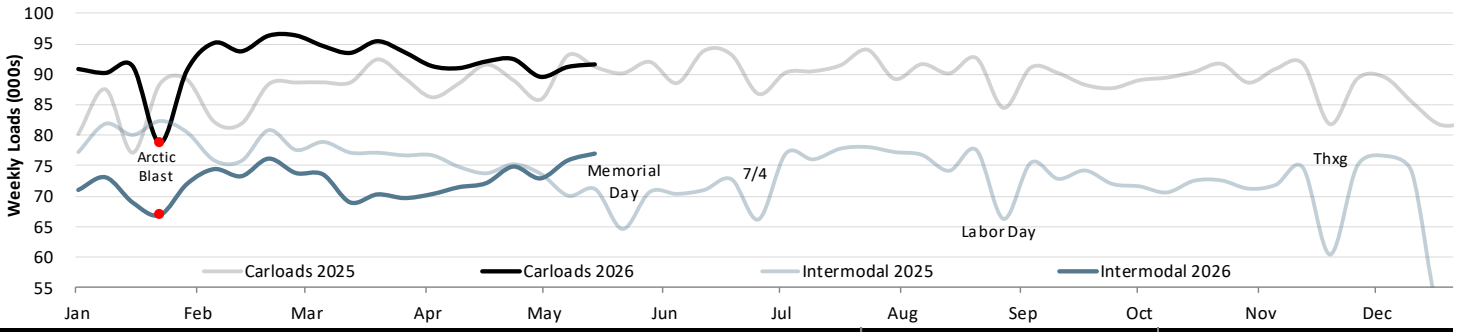
The coal network was slower in the week ending May 22. Dwell at original also spiked, but one week doesn't make a trend.

Figure 8: Union Pacific Coal Unit Train Velocity (higher is better) and Dwell at Origin (lower is better)



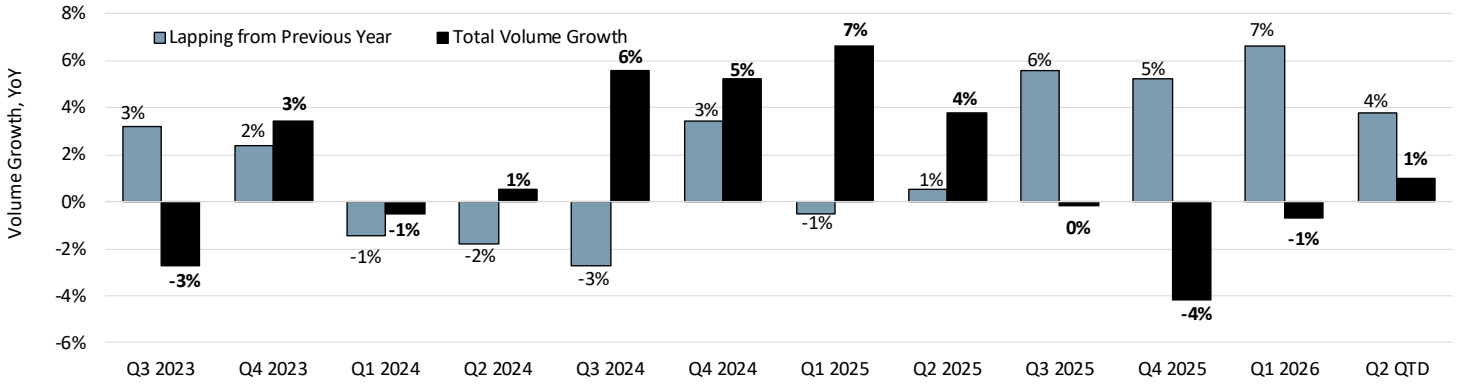
Source: Union Pacific & STB.

Union Pacific Volumes Through Week Ending 5/23/26



Union Pacific		Year-to-Date			Q2 Quarter-to-Date			Week Ending 5/23/26		
Reporting Segment	Commodity	2026	2025	Δ	2026	2025	Δ	2026	2025	Δ
Grain & Grain Mill	Grain	176.6	147.6	19.6%	65.0	57.6	12.8%	8.1	7.2	12.3%
(16% of Sales)	Grain Mill Products	87.0	81.4	6.9%	31.3	29.4	6.4%	4.3	3.9	8.2%
	Total Grain & Grain Mill	**263.6**	**229.0**	**15.1%**	**96.4**	**87.1**	**10.7%**	**12.3**	**11.1**	**10.9%**
Fertilizer (3% of sales)	**Nonmetallic Minerals**	**17.0**	**17.3**	**(1.8%)**	**8.8**	**8.8**	**(0.0%)**	**1.4**	**1.2**	**16.7%**
Food & Refrigerated	Food & Kindred Products	91.9	92.2	(0.3%)	35.4	33.5	5.8%	5.0	4.8	3.5%
(5% of Sales)	Farm Products, Ex. Grain	6.1	6.0	1.3%	2.0	2.1	(5.1%)	0.3	0.2	26.7%
	Total Food & Refrigerated	**98.0**	**98.2**	**(0.2%)**	**37.4**	**35.5**	**5.1%**	**5.3**	**5.0**	**4.5%**
Coal & Renewables	Coal	284.2	272.6	4.2%	87.0	102.4	(15.1%)	11.8	13.7	(14.2%)
(8% of Sales)	Coke	19.1	14.0	37.1%	7.4	5.9	25.6%	1.2	0.8	45.6%
	Primary Forest Products	7.7	9.1	(15.7%)	3.0	3.4	(12.3%)	0.2	0.4	(61.6%)
	Total Coal & Renewables	**311.0**	**295.6**	**5.2%**	**97.3**	**111.7**	**(12.9%)**	**13.1**	**14.9**	**(12.2%)**
Industrial Chemicals/Plastics	Chemicals	447.1	422.5	5.8%	165.1	156.8	5.3%	21.1	21.2	(0.5%)
(10% of Sales)	All Other Carloads	72.0	73.3	(1.7%)	26.7	28.9	(7.5%)	3.8	4.2	(10.3%)
	Total Chemicals & Plastics	**519.1**	**495.8**	**4.7%**	**191.8**	**185.6**	**3.3%**	**24.9**	**25.4**	**(2.1%)**
Metals & Minerals	Crushed Stone, Sand & Gravel	155.3	147.0	5.6%	60.1	57.7	4.3%	7.4	7.4	(0.3%)
(10% of Sales)	Stone, Clay & Glass Products	65.7	58.1	13.1%	26.0	24.0	8.4%	3.5	3.4	2.4%
	Metals & Products	55.4	55.9	(0.9%)	21.2	20.5	3.7%	2.9	2.6	13.4%
	Iron & Steel Scrap	21.8	20.1	8.4%	8.2	7.7	6.6%	1.2	1.0	10.4%
	Metallic Ores	6.9	10.4	(33.5%)	2.6	2.8	(6.6%)	0.4	0.4	9.9%
	Total Metals & Minerals	**305.1**	**291.5**	**4.7%**	**118.2**	**112.6**	**5.0%**	**15.4**	**14.8**	**3.7%**
Forest Products	Lumber & Wood Products	38.5	41.0	(6.1%)	16.0	16.2	(0.8%)	2.1	2.2	(4.3%)
(6% of Sales)	Pulp, Paper & Allied Products	36.1	35.4	2.1%	13.1	12.6	4.3%	1.6	1.6	(1.2%)
	Total Forest Products	**74.6**	**76.3**	**(2.3%)**	**29.2**	**28.8**	**1.5%**	**3.7**	**3.8**	**(3.0%)**
Energy & Specialized	Petroleum Products	108.0	102.1	5.8%	40.6	37.6	7.8%	5.5	5.4	2.1%
(11% of Sales)	Waste & Other Scrap	15.4	13.7	12.6%	5.8	5.4	6.8%	0.8	0.8	3.2%
	Total Energy & Specialized	**123.5**	**115.8**	**6.6%**	**46.3**	**43.0**	**7.6%**	**6.3**	**6.2**	**2.2%**
Automotive (11% of Sales)	**Total Automotive**	**163.2**	**161.2**	**1.3%**	**67.5**	**63.1**	**7.0%**	**9.3**	**8.7**	**7.0%**
	TOTAL CARLOADS	**1,875.0**	**1,780.8**	**5.3%**	**692.9**	**676.3**	**2.4%**	**91.6**	**91.2**	**0.5%**
Intermodal	Containers	1,438.8	1,531.0	(6.0%)	542.9	548.2	(1.0%)	75.4	69.6	8.4%
(20% of Sales)	Trailers	29.9	29.2	2.2%	11.6	10.9	6.3%	1.5	1.5	5.5%
	TOTAL INTERMODAL	**1,468.7**	**1,560.3**	**(5.9%)**	**554.5**	**559.1**	**(0.8%)**	**77.0**	**71.0**	**8.4%**
	TOTAL	**3,343.7**	**3,341.1**	**0.1%**	**1,247.3**	**1,235.4**	**1.0%**	**168.6**	**162.2**	**3.9%**

Figure 9: Union Pacific Quarterly Volume Growth and Associated Y/Y Comps



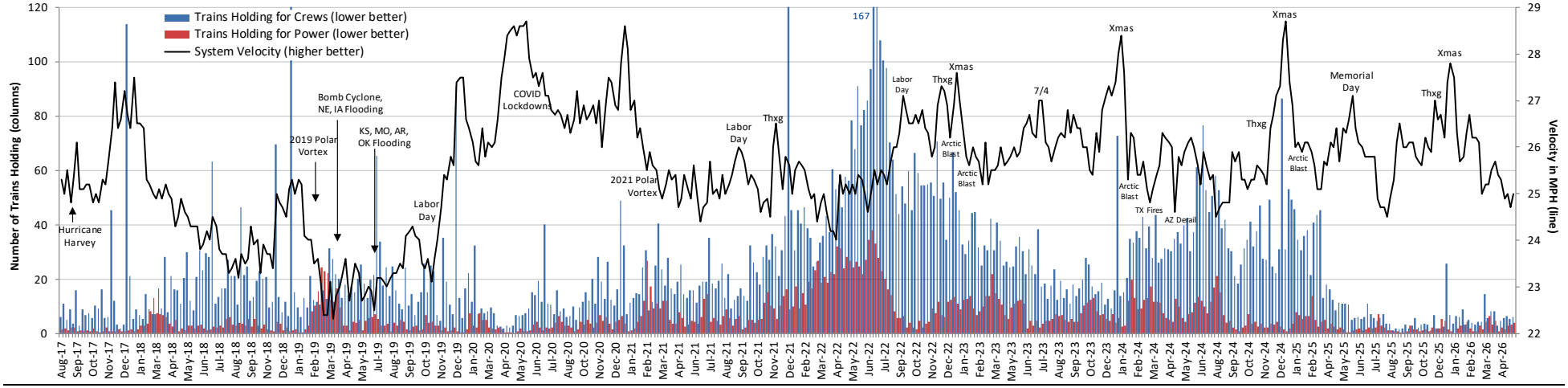
Source (all charts and tables): STB & www.investor.unionpacific.com/carloads-2026.

BNSF

Network Velocity and Trains Holding for Crews and Power

Velocity upticked off a low base in the week ending May 22, and we're only modestly above a nine-month low. The Memorial Day effect should give velocity a much-needed tailwind in next week's data. Trains holding for crews increased from five to six, and trains holding for power from three to four pe day last week.

Figure 10: BNSF Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

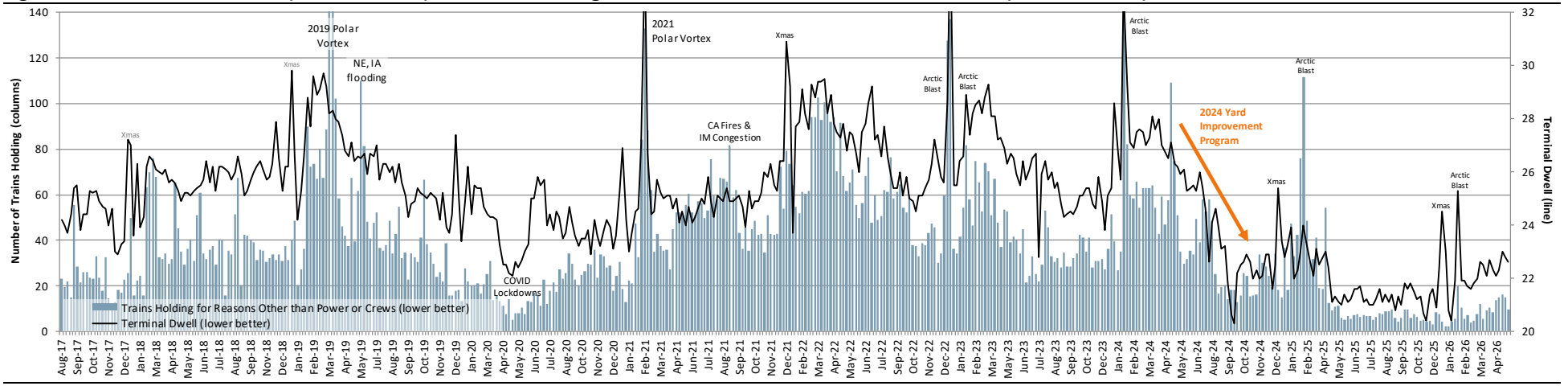


Source: BNSF & STB. BNSF trains holding is based on a daily snapshot that counts the number of trains delayed by zero hours or more at a certain time every day.

Terminal Dwell and Trains Holding for Other Reasons

Terminal dwell improved for a second week and, at 22.6 hours, remains solid. Trains holding for all reasons other than power and crews had a nice drop, from 15 to 10 per day. Historically, anything below 20 is good at BN.

Figure 11: BNSF Terminal Dwell (lower is better) and Trains Holding for All Reasons Other than Power and Crews (lower is better)

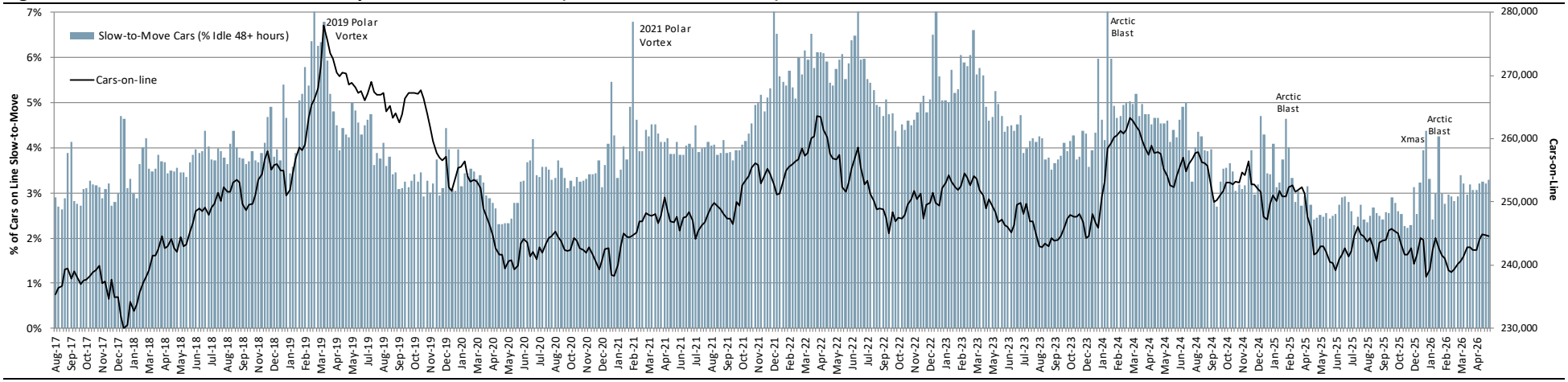


Source: BNSF & STB. BNSF trains holding is based on a daily snapshot that counts the number of trains delayed by zero hours or more at a certain time every day.

Cars Online and the Proportion Slow-to-Move

Cars online didn't materially change in the week ending May 22 and remains in the bottom (best) quartile of historical performance. The proportion of these cars idle for 48+ hours (slow-to-move) has drifted a little higher in recent weeks and currently sits at 3.3%.

Figure 12: BNSF Cars Online and the Proportion Slow-to-Move (lower is better for both)

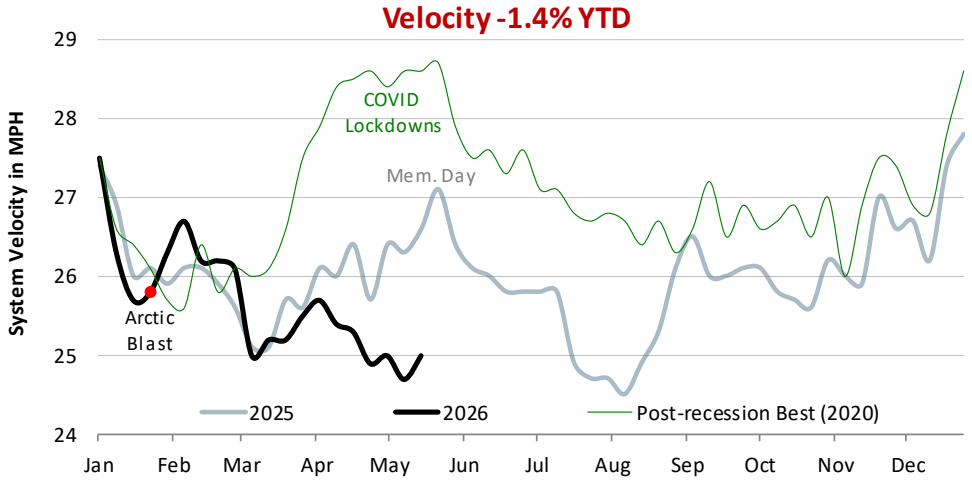


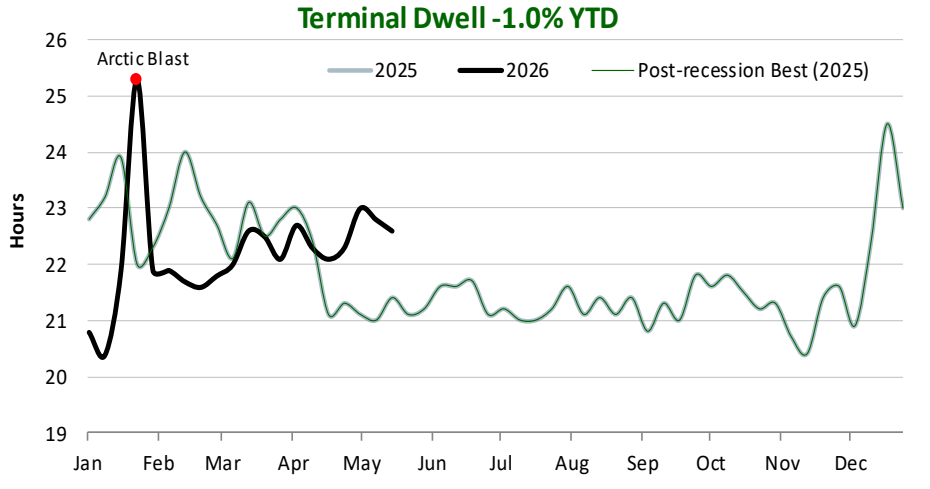
Source: BNSF & STB.

Year-over-Year Network Velocity and Terminal Dwell

You can see velocity now more than one mph behind last year's run rate. Dwell looks healthier year-to-date, but YoY comps are now tougher for the balance of the year.

Figure 13: BNSF High Level Velocity and Terminal Dwell



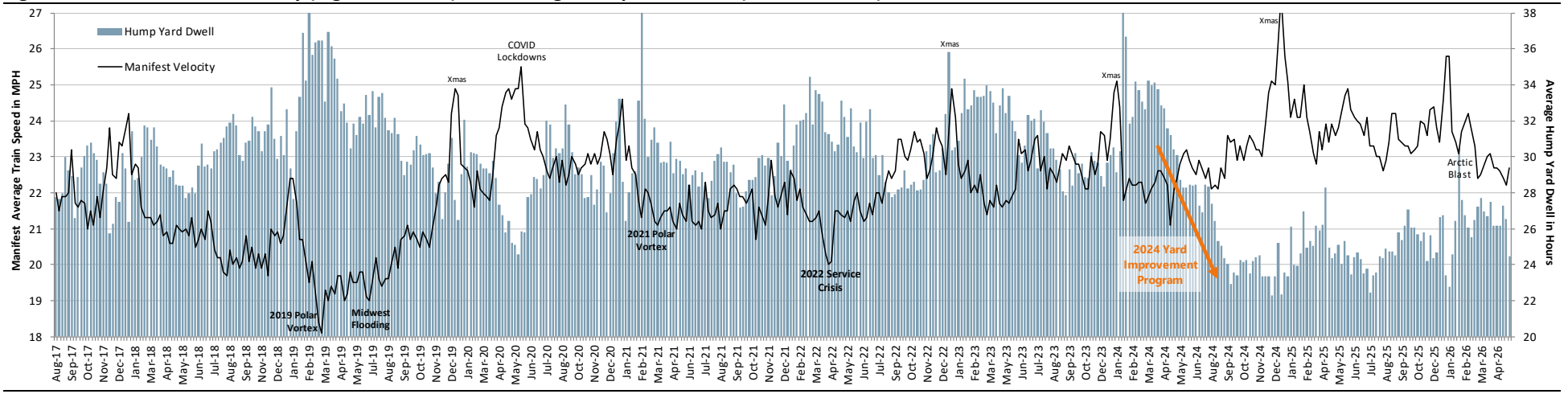


Source: BNSF & STB.

Manifest Network Efficiency

Manifest velocity added 0.5 mph in the week ending May 15 and the Memorial Day effect will extend gains next week. Average dwell for the eight hump yards that support this network saw a dramatic drop of two hours (7.7%), which again sets up nicely for the incoming Memorial Day effect.

Figure 14: BNSF Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

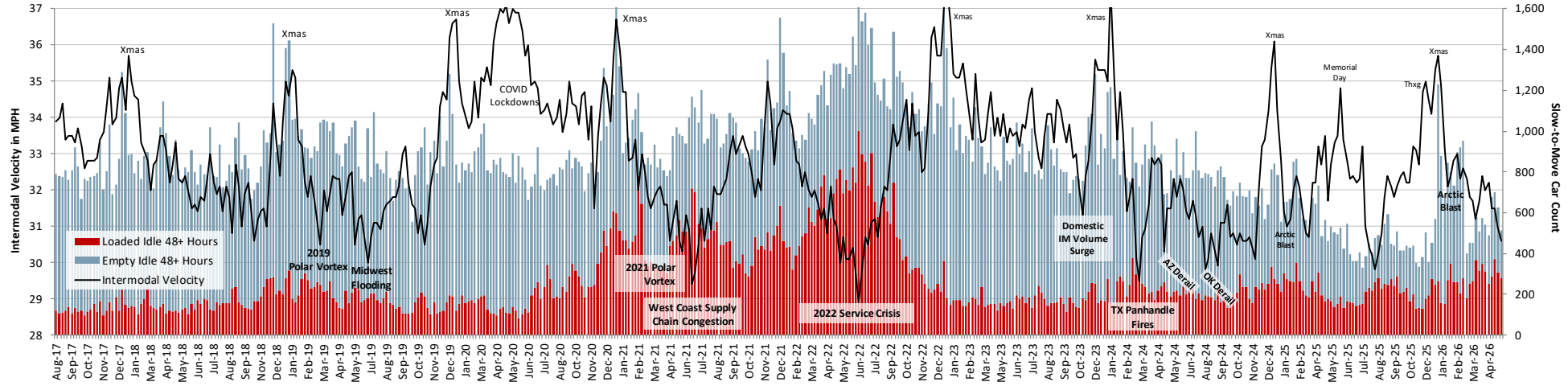


Source: BNSF & STB. Hump Yard Dwell represents the average time in hours for BNSF's eight active hump yards.

Intermodal Network Efficiency

Intermodal velocity continues to fade under volume pressure, with loads up 6% QTD, including almost 10% last week. High class problem. Surging truck spot rates and surcharges that reset weekly versus a two month lag at the railroads will continue to push loads to rail as the truck price premium over rail expands. Let's hope BN has enough crews to handle the surge.

Figure 15: BNSF Intermodal Average Train Speed (higher is better) and Slow-to-Move Platforms (lower is better)

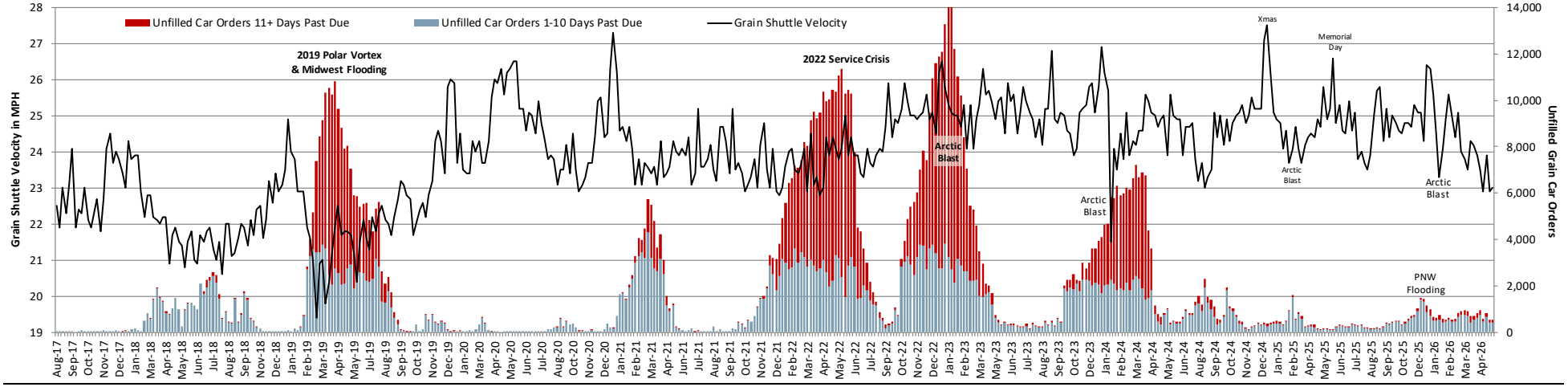


Source: BNSF & STB.

Grain Train Efficiency

Average grain train speed didn't materially change in the week ending May 22 but remains at low absolute levels. Unfilled grain car orders remain contained at low levels.

Figure 16: BNSF Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

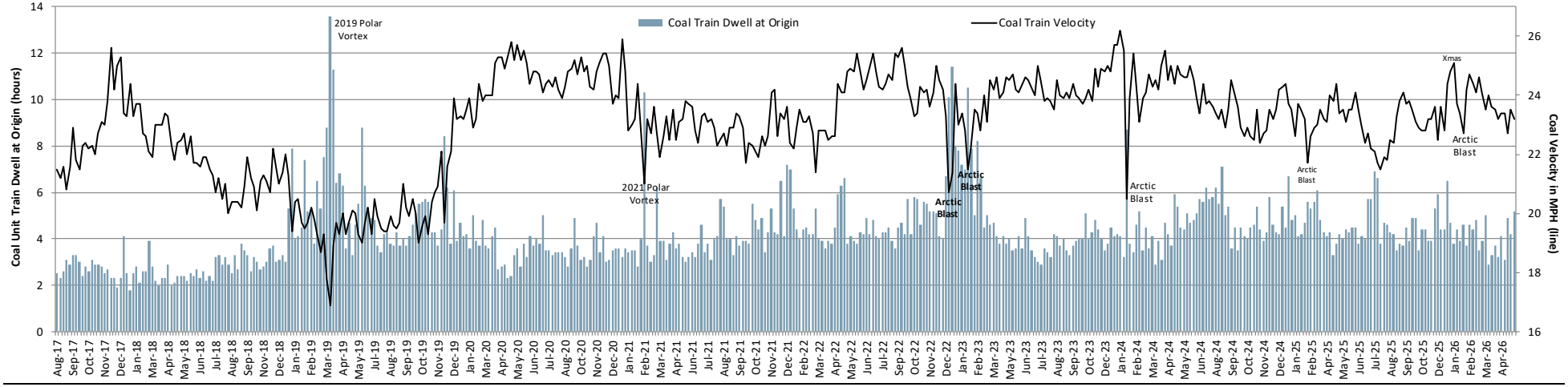


Source: BNSF & STB.

Coal Train Efficiency

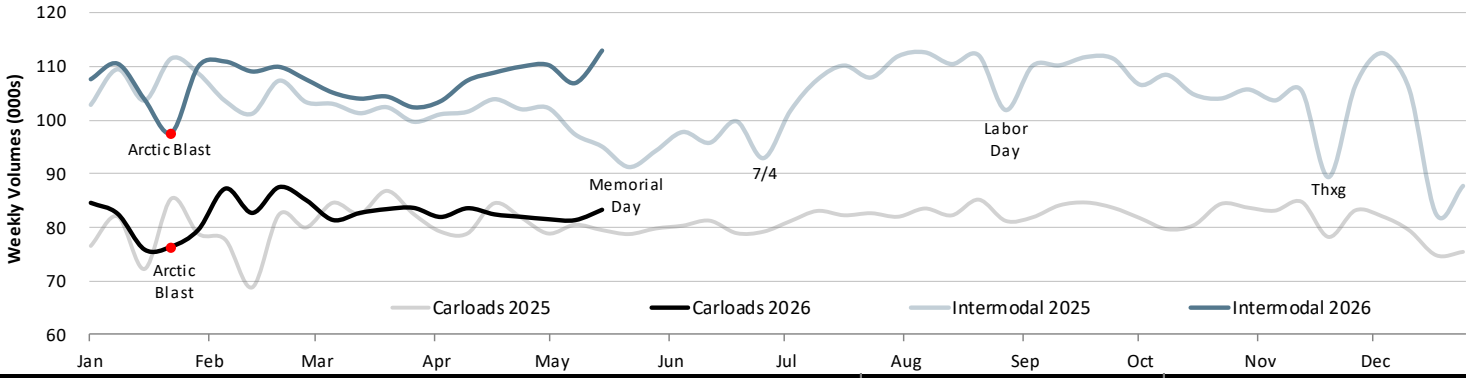
average coal train speed downticked last week but remains in absolute terms. Dwell at origin volatile but in the normal range.

Figure 17: BNSF Coal Unit Train Dwell at Origin (lower is better) and Coal Unit Train Velocity (higher is better)



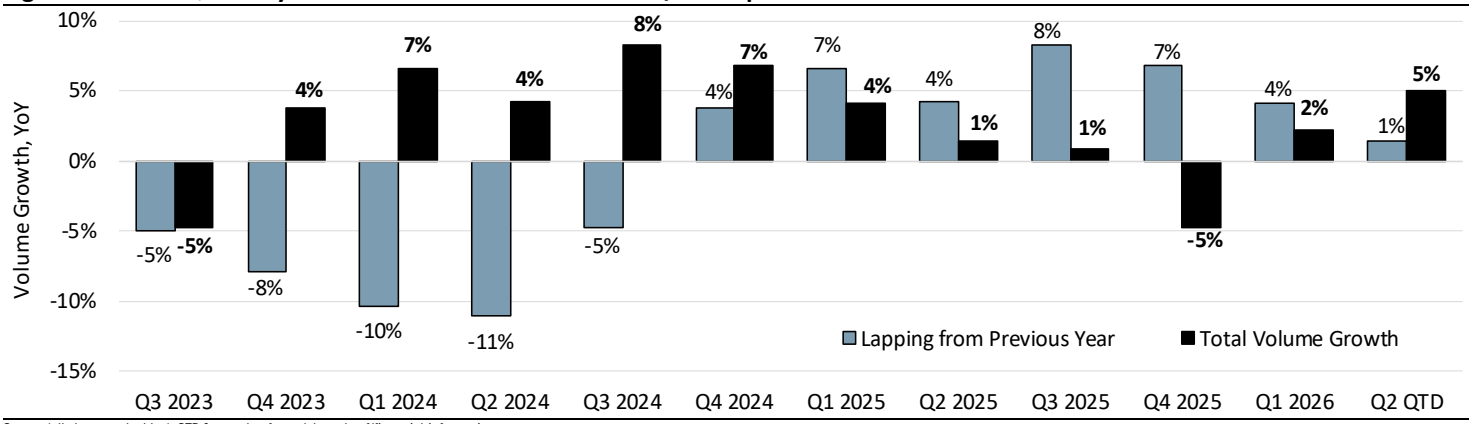
Source: BNSF & STB.

BNSF Volumes Through Week Ending 5/23/26



BNSF		Year-to-Date			Q2 Quarter-to-Date			Week Ending 5/23/26		
Reporting Segment	Commodity	2026	2025	Δ	2026	2025	Δ	2026	2025	Δ
Autos (4% of sales)	**Motor Vehicles & Equipment**	**117.2**	**117.1**	**0.1%**	**47.3**	**45.6**	**3.7%**	**6.3**	**6.3**	**(0.9%)**
Industrial Products	Petroleum Products	131.7	118.7	11.0%	48.9	44.2	10.7%	6.6	6.2	6.1%
(25% of Sales)	Chemicals	184.8	190.8	(3.2%)	68.5	71.7	(4.4%)	8.2	8.7	(6.3%)
	Crushed Stone, Sand & Gravel	78.1	72.4	8.0%	32.8	30.6	7.3%	4.4	4.4	(0.7%)
	Metallic Ores	33.0	33.4	(1.2%)	9.6	10.1	(4.6%)	2.0	1.9	3.3%
	Stone, Clay, & Glass Products	46.6	45.4	2.5%	20.1	19.2	4.8%	2.9	2.7	6.2%
	Metals & Products	38.7	39.0	(0.9%)	15.0	13.9	7.4%	2.1	1.7	24.3%
	All Other Carloads	47.2	52.2	(9.6%)	17.8	22.0	(18.9%)	3.2	3.1	3.9%
	Lumber & Wood Products	30.1	30.2	(0.3%)	12.1	11.4	5.8%	1.7	1.4	19.3%
	Pulp, Paper, & Allied Products	22.1	23.5	(5.8%)	8.3	8.2	1.6%	1.2	1.0	19.6%
	Iron & Steel Scrap	25.6	21.7	18.0%	10.2	8.2	25.0%	1.5	0.9	73.5%
	Coke	10.1	9.5	6.0%	3.4	3.1	10.2%	0.5	0.3	76.1%
	Nonmetallic Minerals	9.4	9.5	(0.7%)	3.7	3.3	14.3%	0.4	0.5	(15.2%)
	Waste & Other Scrap	10.2	9.9	2.4%	4.0	3.8	5.6%	0.5	0.5	0.0%
	Primary Forest Products	0.7	1.1	(29.8%)	0.3	0.4	(27.2%)	0.0	0.1	(20.0%)
	Total Industrial	**668.2**	**657.2**	**1.7%**	**254.8**	**250.0**	**1.9%**	**35.2**	**33.4**	**5.3%**
Coal (17% of Sales)	**Coal**	**445.9**	**464.5**	**(4.0%)**	**155.3**	**166.6**	**(6.8%)**	**20.0**	**21.5**	**(6.9%)**
Agricultural	Grain	271.5	227.6	19.3%	100.7	88.4	13.9%	13.3	10.3	28.6%
(24% of Sales)	Grain Mill Products	93.8	92.9	0.9%	34.6	32.4	6.7%	4.6	4.3	7.7%
	Food & Kindred Products	72.7	68.3	6.4%	26.9	24.6	9.2%	3.4	3.2	4.1%
	Farm Products, Ex-Grain	10.6	10.7	(1.3%)	3.9	3.8	2.4%	0.5	0.5	2.0%
	Total Agricultural	**448.5**	**399.6**	**12.3%**	**166.1**	**149.2**	**11.3%**	**21.8**	**18.4**	**18.6%**
	TOTAL CARLOADS	**1,679.9**	**1,638.4**	**2.5%**	**623.4**	**611.4**	**2.0%**	**83.2**	**79.6**	**4.6%**
Intermodal	Containers	2,104.4	2,023.2	4.0%	790.5	735.2	7.5%	109.0	91.8	18.7%
(30% of Sales)	Trailers	74.4	73.8	0.8%	27.2	25.6	6.3%	3.9	3.3	20.0%
	TOTAL INTERMODAL	**2,178.8**	**2,097.0**	**3.9%**	**817.8**	**760.9**	**7.5%**	**112.9**	**95.1**	**18.7%**
	TOTAL	**3,858.7**	**3,735.4**	**3.3%**	**1,441.2**	**1,372.2**	**5.0%**	**196.1**	**174.7**	**12.3%**

Figure 18: BNSF Quarterly Volume Growth and Associated Y/Y Comps



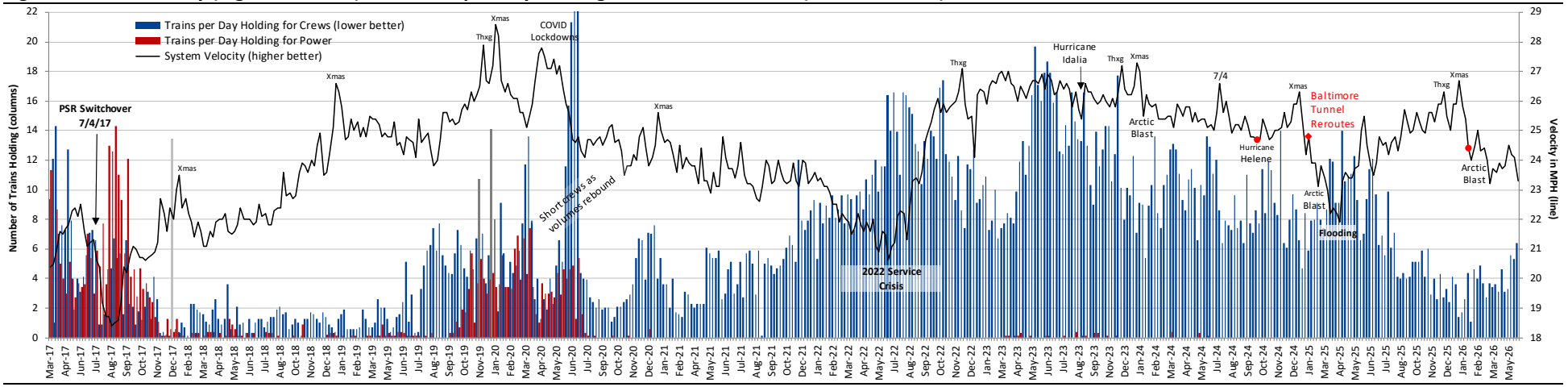
Source (all charts and tables): STB & www.bnsf.com/about-bnsf/financial-information.

CSX

Network Velocity and Trains Holding for Crews

CSX's network is also struggling with unanticipated volume pressure, with loads up 5.3% QTD, and you'll see the effects in most of these charts. Velocity dropped to 23.3 mph in the week ending May 22, which is a nine week low. Trains holding for crews deteriorated from 5.3 to 6.4 per day.

Figure 19: CSX Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

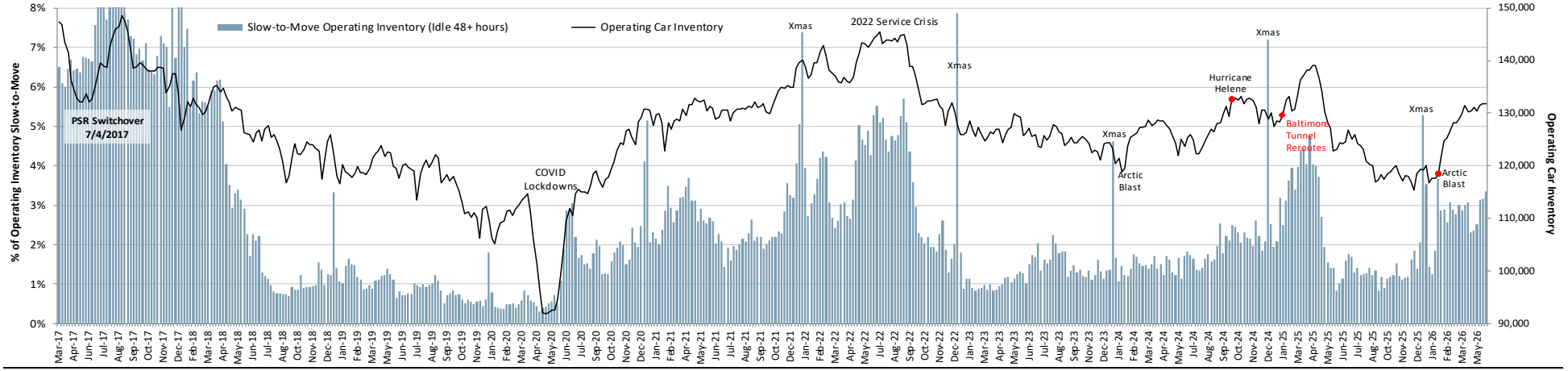


Source: CSX & STB. CSX trains holding based on daily snapshot that counts the number of trains delayed as at 3:30 AM every day. The delay is one hour for scheduled traffic and eight hours for bulk. Note CSX effectively stopped reporting trains holding for power from late 2020 despite the STB requirement to do so.

Operating Car Inventory and the Proportion Slow-to-Move

Operating inventory is trying to put in a "top" but can't quite pull it off, with car counts inching higher again in the week ending May 22. We're currently at 131,867 compared to an average of 119,934 when CSX was running well in the back half of last year. The 5% higher load count obviously necessitates more equipment, so the differential isn't as bad as it appears. The proportion of these cars that were slow-to-move increased again, from 3.2% to 3.3% vs. ~1.5% when CSX is running well.

Figure 20: CSX Operating Car Inventory and the Proportion Idle for 48+ hours During the Week (lower is better for both)

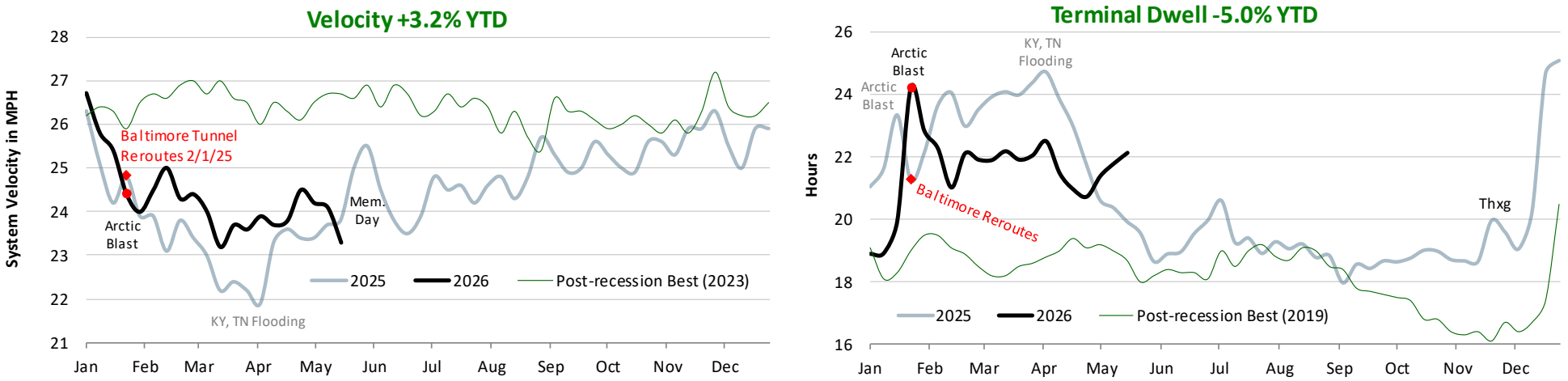


Source: CSX & STB. Operating inventory defined by CSX as "the number of active freight rail cars on lines operated by CSX, as determined by Rail Inc., excluding those being repaired, in storage, have been sold, or private cars dwelling at a customer location for more than one day."

Year-over-Year Network Velocity and Terminal Dwell

We're now lapping the Baltimore Tunnel closure (2/1/25), so YoY comps have been easy in recent weeks (dwell now less so). The effects also boost YTD velocity and dwell percentages.

Figure 21: CSX High Level Velocity and Terminal Dwell

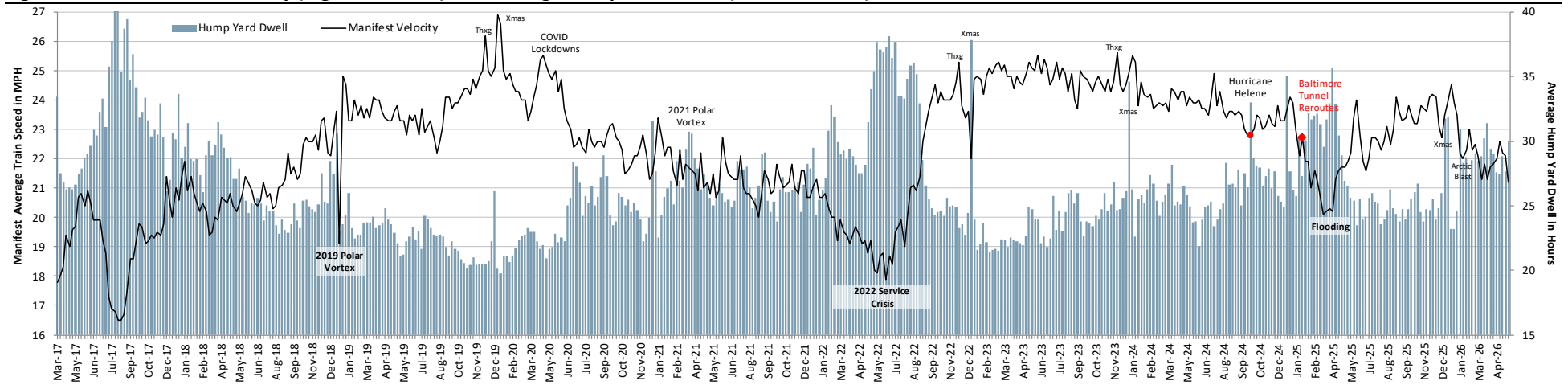


Source: CSX & STB.

Manifest Network Efficiency

Manifest velocity slowed by 4% in the week ending May 22 and remains in the bottom half of performance since 2022. Average dwell for CSX's five supporting hump yards deteriorated from 27.6 to 30 hours, which is a seven week high.

Figure 22: CSX Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

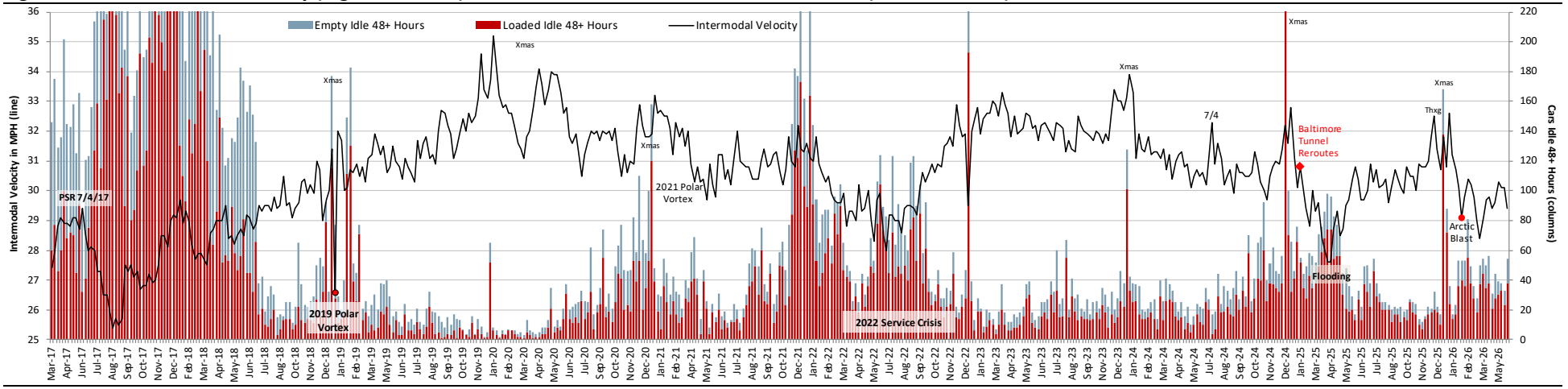


Source: CSX & STB. Hump Yard Dwell represents the average dwell for CSX's five active hump yards.

Intermodal Network Efficiency

Intermodal volumes up 6% QTD are having the predictable effect on intermodal network velocity, which back-peddled to its five week low last week. Slow-to-move intermodal platforms deteriorated from 33 to 54.

Figure 23: CSX Intermodal Velocity (higher is better) and the Number of Slow-to-Move Platforms (lower is better)

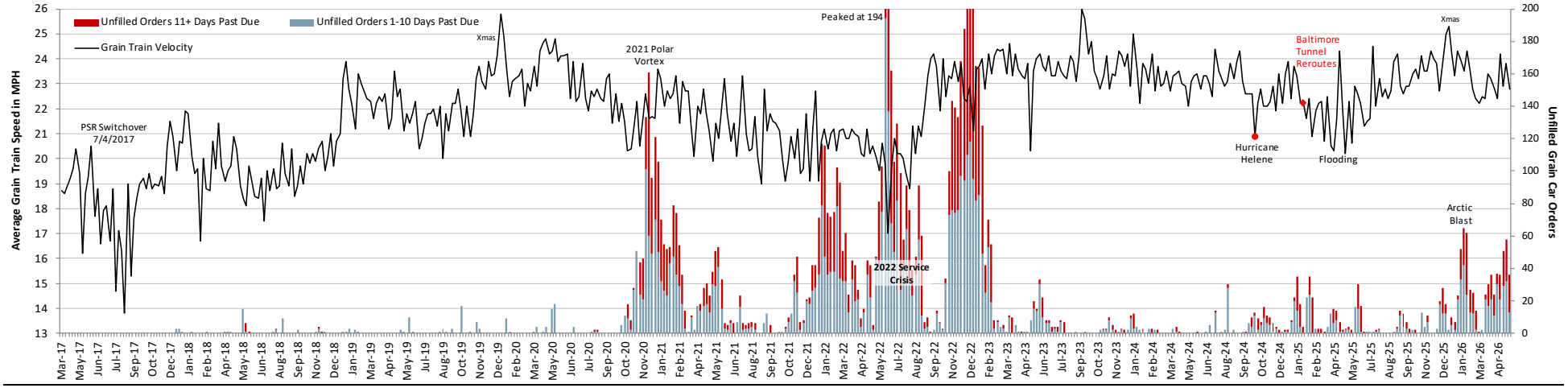


Source: CSX & STB.

Grain Train Efficiency

CSX's grain network also decelerated in the week ending May 22. Unfilled grain car orders rose to 58 through May 15 but inflected to the better last week, to 36.

Figure 24: CSX Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

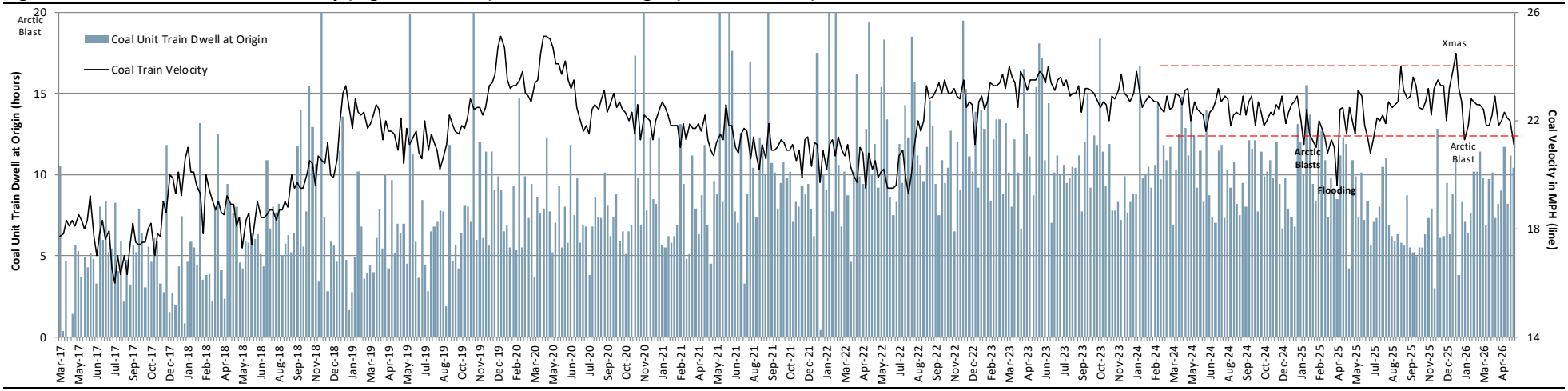


Source: CSX & STB.

Coal Train Efficiency

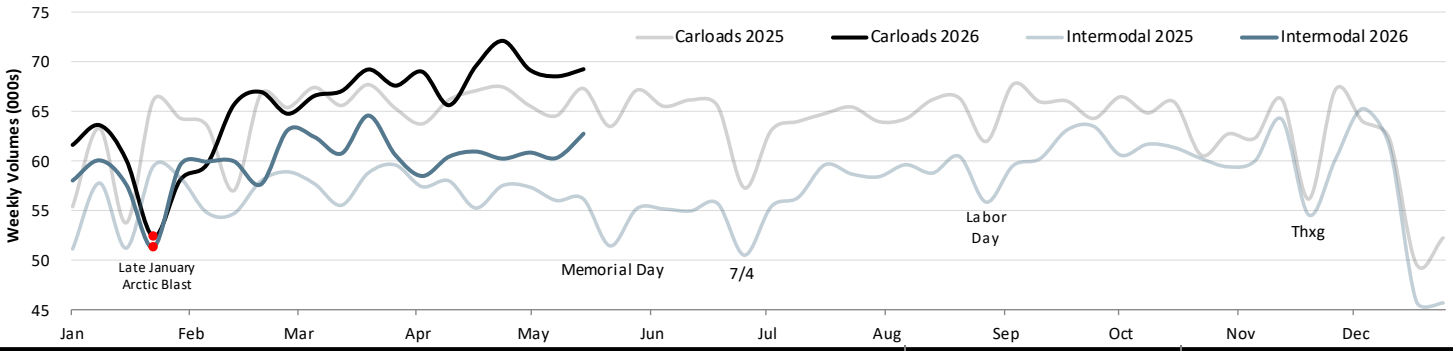
The coal network also decelerated last week, and in fact tipped below its normal range (dashed red lines). Dwell at origin typically volatile and modestly better in the week ending May 22.

Figure 25: CSX Coal Unit Train Velocity (higher is better) and Dwell at Origin (lower is better)



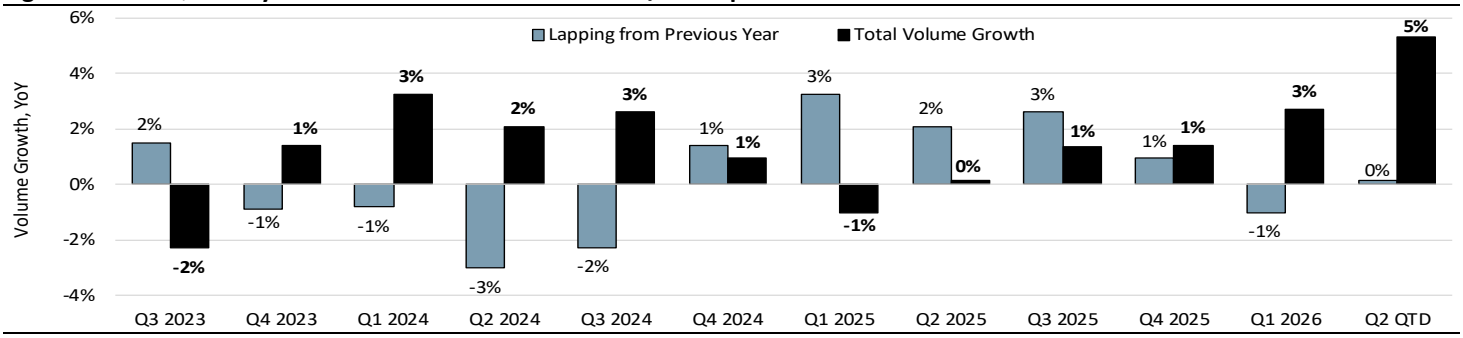
Source: CSX & STB.

CSX Volumes Through Week Ending 5/23/26



CSX		Year-to-Date			Q2 Quarter-to-Date			Week Ending 5/23/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Coal	Coal	261.7	256.3	2.1%	103.7	98.2	5.5%	14.0	12.5	11.8%
(15% of Sales)	Metallic Ores	15.1	13.2	14.3%	5.9	4.4	34.8%	0.8	0.7	5.1%
	Coke	25.8	23.1	11.3%	9.7	8.3	17.9%	1.3	1.4	(5.8%)
	Total Coal	**302.5**	**292.6**	**3.4%**	**119.3**	**110.9**	**7.6%**	**16.0**	**14.6**	**9.8%**
Chemicals	Chemicals	214.4	210.6	1.8%	81.3	77.4	5.1%	10.4	10.5	(0.2%)
(22% of Sales)	Petroleum Products	52.2	53.8	(3.1%)	18.6	17.8	4.0%	2.3	2.3	(0.1%)
	Total Chemicals	**266.6**	**264.4**	**0.8%**	**99.9**	**95.2**	**4.9%**	**12.8**	**12.8**	**(0.2%)**
Automotive (9% of Sales)	**Motor Vehicles & Equipment**	**147.9**	**147.5**	**0.2%**	**60.0**	**59.8**	**0.3%**	**8.2**	**8.1**	**1.9%**
Agricultural & Food	Grain	61.2	61.6	(0.7%)	23.1	23.0	0.6%	2.8	3.4	(16.5%)
(13% of Sales)	Grain Mill Products	47.7	45.7	4.2%	17.4	17.3	0.3%	2.2	2.4	(9.5%)
	Farm Products Ex. Grain	3.4	3.0	12.5%	1.2	1.1	10.2%	0.1	0.2	(2.6%)
	Food & Kindred Products	40.9	41.1	(0.6%)	15.6	15.3	1.6%	2.0	2.2	(8.1%)
	Total & Food	**153.1**	**151.5**	**1.1%**	**57.3**	**56.7**	**1.0%**	**7.1**	**8.1**	**(11.9%)**
Forest Products	Pulp,Paper & Allied Products	54.8	58.8	(6.8%)	20.5	20.7	(0.8%)	2.8	2.8	(0.1%)
(8% of Sales)	Lumber & Wood Products	23.4	24.0	(2.2%)	10.2	9.6	6.6%	1.4	1.2	17.2%
	Primary Forest Products	12.2	12.6	(3.2%)	4.5	4.6	(2.3%)	0.5	0.6	(20.5%)
	Total Forest Products	**90.4**	**95.4**	**(5.2%)**	**35.2**	**34.8**	**1.1%**	**4.7**	**4.6**	**1.6%**
Metals	Metals & Products	54.5	56.0	(2.8%)	21.0	20.6	1.9%	3.0	2.9	2.3%
(7% of Sales)	Iron & Steel Scrap	33.4	30.3	10.1%	12.8	11.9	7.8%	1.8	1.6	12.6%
	Waste & Scrap	57.9	53.0	9.3%	24.2	21.1	14.4%	3.1	2.8	13.9%
	Total Metals	**145.8**	**139.4**	**4.6%**	**58.0**	**53.6**	**8.1%**	**7.9**	**7.2**	**9.0%**
Phosphates & Fertilizers (4% of Sales)	**Non-metallic Minerals**	**40.9**	**39.5**	**3.6%**	**15.6**	**15.0**	**3.7%**	**2.0**	**2.1**	**(5.0%)**
Minerals & Other	Crushed Stone, Sand, & Gravel	105.1	99.9	5.2%	44.6	41.9	6.7%	6.2	5.4	14.5%
(6% of Sales)	Stone, Clay, & Glass Products	56.8	57.2	(0.7%)	23.6	23.5	0.1%	3.1	2.9	7.4%
	All Other Carloads	20.5	19.2	6.8%	8.7	7.7	12.6%	1.3	1.6	(17.6%)
	Total Minerals & Other	**182.5**	**176.3**	**3.5%**	**76.9**	**73.1**	**5.2%**	**10.6**	**9.9**	**7.2%**
	TOTAL CARLOADS	**1,329.6**	**1,306.6**	**1.8%**	**522.2**	**499.2**	**4.6%**	**69.3**	**67.4**	**2.9%**
Intermodal	Containers	1,193.2	1,126.2	5.9%	449.2	423.1	6.2%	61.5	55.0	11.8%
(16% of Sales)	Trailers	26.4	25.5	3.6%	9.5	9.2	3.2%	1.3	1.2	8.7%
	TOTAL INTERMODAL	**1,219.5**	**1,151.7**	**5.9%**	**458.8**	**432.3**	**6.1%**	**62.8**	**56.2**	**11.7%**
	TOTAL	**2,549.2**	**2,458.2**	**3.7%**	**981.0**	**931.6**	**5.3%**	**132.1**	**123.5**	**6.9%**

Figure 26: CSX Quarterly Volume Growth and Associated Y/Y Comps



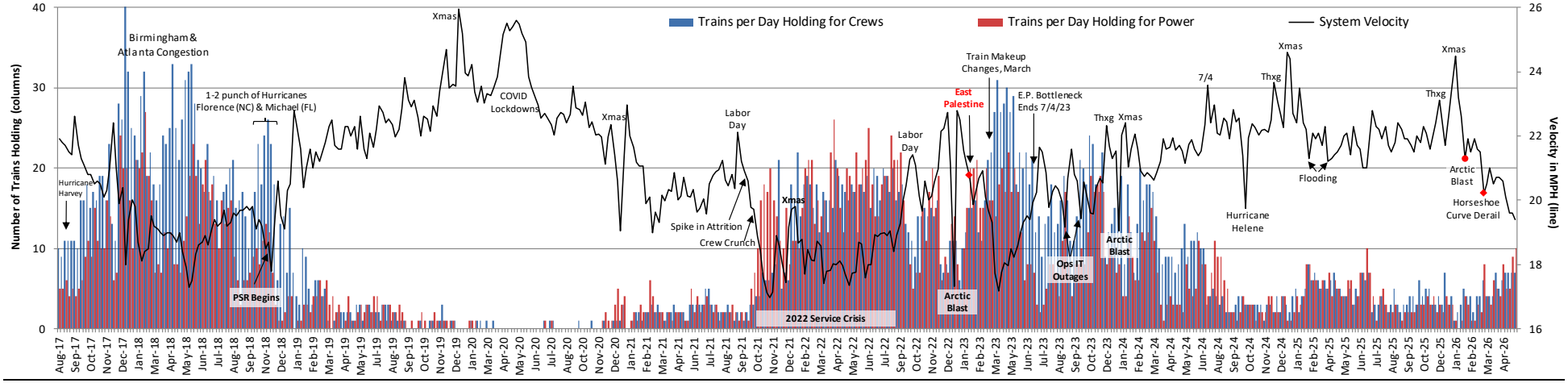
Source (all charts and tables): STB & www.investors.csx.com/metrics.

Norfolk Southern

Network Velocity and Trains Holding for Crews and Power

Another bad week. Velocity lost another 0.2 mph to 19.4 in the week ending May 22. For perspective, it troughed at 19.7 during Hurricane Helene in September 2024. The chart below includes two of NS's previous meltdowns: 2018 and October 2021 through the summer of 2022, and the current velocity line is starting to paint the same picture. Trains per day holding for crews was flat at seven per day, while trains holding for power increased by one to 10 per day; equaling an 11-month high.

Figure 27: Norfolk Southern Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)

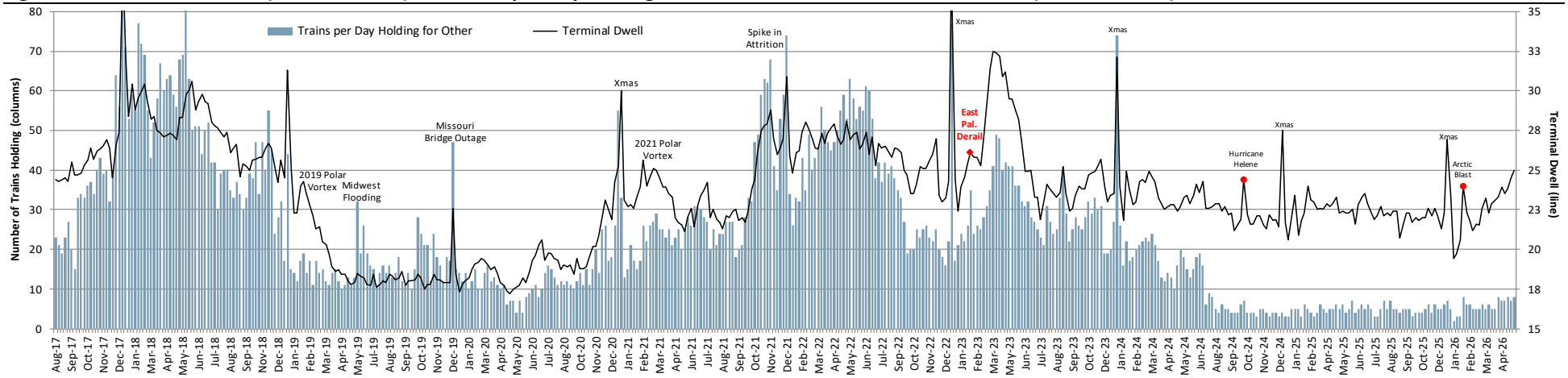


Source: Norfolk Southern & STB. NS trains holding is based on a daily snapshot that counts the number of trains delayed four hours or more as at 6AM every day.

Terminal Dwell and Trains Holding for Other Reasons

Terminal dwell continues to rise at 45 degrees since mid-February; thankfully off a low base, but that's becoming less relevant. Excluding artificial Christmas and Thanksgiving effects, current dwell at 25 hours is the highest it's been since early November 2023. Trains holding for reasons other than power and crews increased from seven to eight.

Figure 28: NS Terminal Dwell (lower is better) and Trains per Day Holding for Reasons Other than Power and Crews (lower is better)

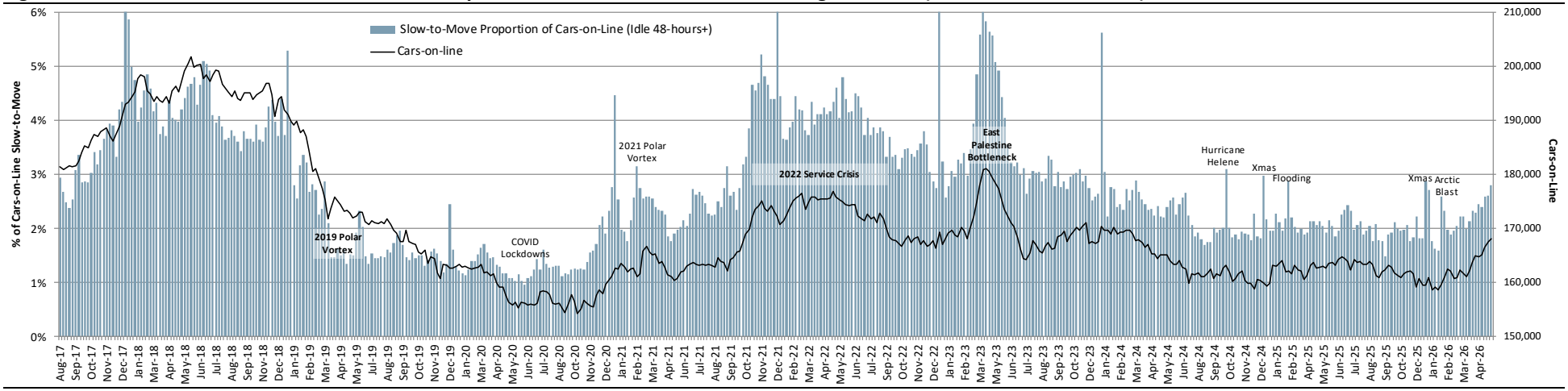


Source: Norfolk Southern & STB. NS trains holding is based on a daily snapshot that counts the number of trains delayed four hours or more as at 6AM every day.

Cars Online and the Proportion Slow-to-Move

Cars online added 483 in the week ending May 22 to a new two year high. Similarly, the percentage of these cars that were slow-to-move rose again, from 2.6% to 2.8%, and we have to go back to a flooding event in February last year to find a higher number (again excluding artificial Christmas effects).

Figure 29: Norfolk Southern Cars Online and the Proportion Idle for 48-hours or more During the Week (lower is better for both)

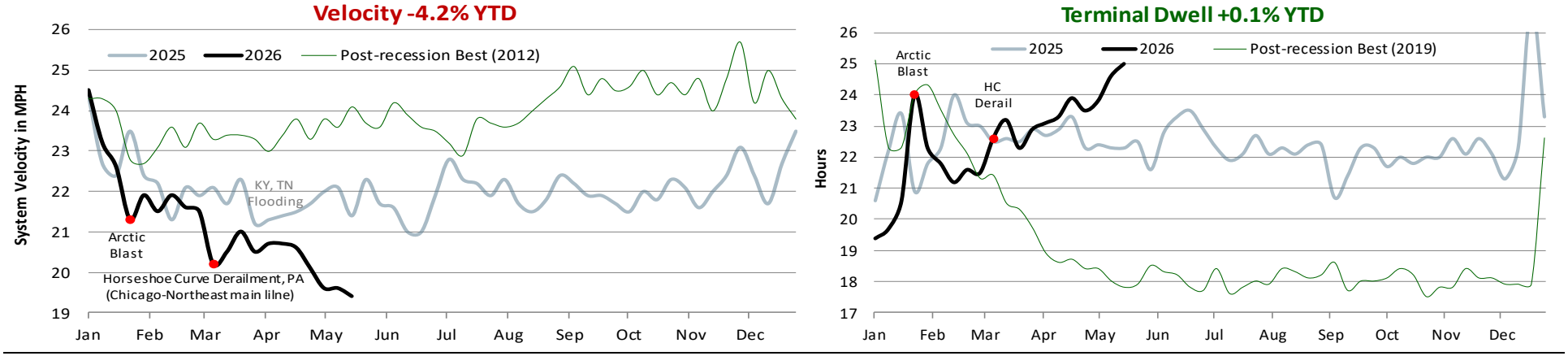


Source: Norfolk Southern & STB.

Year-over-Year Network Velocity and Terminal Dwell

In the velocity chart below you can see the impact of the March 7 derailment at Horseshoe Curve in PA; a ditch NS has so far been unable to dig out of. Terminal dwell is also now gapping year-ago levels in the wrong direction.

Figure 30: Norfolk Southern Velocity and Terminal Dwell

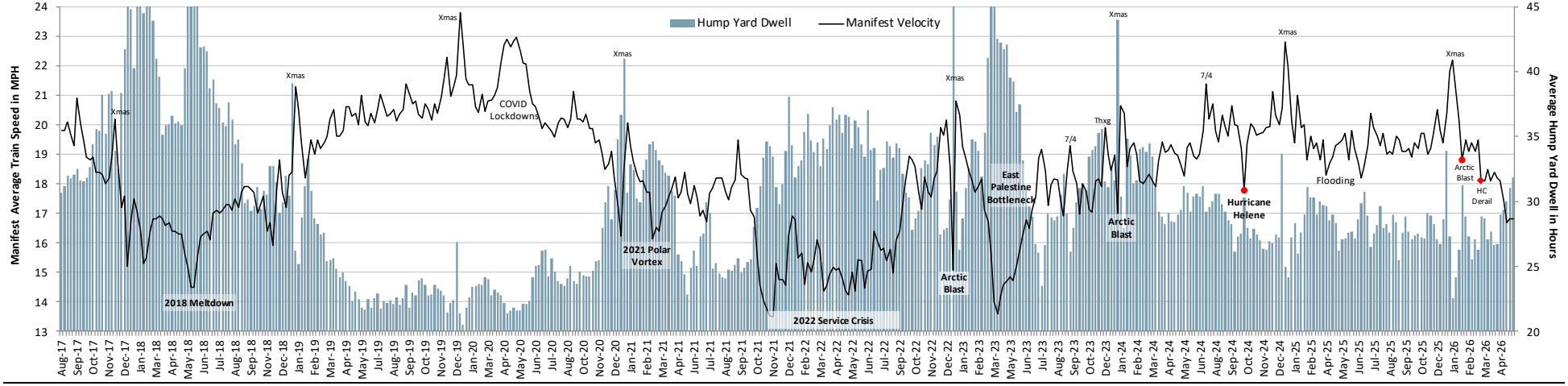


Source: Norfolk Southern & STB.

Manifest Network Efficiency

Manifest velocity was sequentially flat in the week ending May 22. We'll take it, however the closest historical comps remains the East Palestine bottleneck in 2023. Average hump yard dwell continues to spike; adding another 0.7 hours to 31.8. The main culprit is the Chattanooga hump yard, where dwell has blown out to the mid-30s over the last three weeks versus ~24 hours normally. Dwell at the Birmingham, Alabama hump is also somewhat elevated. NS's other four high volume hump yards are relatively normal.

Figure 31: Norfolk Southern Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)

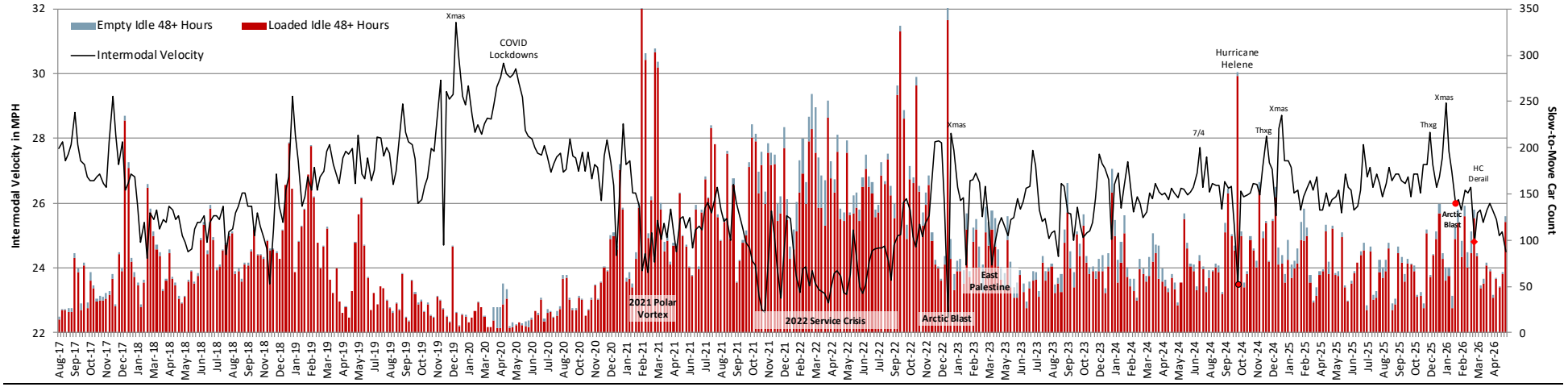


Source: Norfolk Southern & STB. Hump Yard Dwell represents average dwell for Norfolk Southern's six active hump yards.

Intermodal Network Efficiency

Intermodal velocity lost another 0.6 mph to 24.5 in the week ending May 22, which is a post-Hurricane Helene low. Volume pressure is now starting to layer on given the growing rail price discount to truck due to surging truck spot rates and much faster cadence of fuel surcharge updates. Slow-to-move platforms (idle 48+ hours) jumped from 65 to 126.

Figure 32: Norfolk Southern Intermodal Average Train Speed (higher is better) and Slow-to-Move Platforms (lower is better)

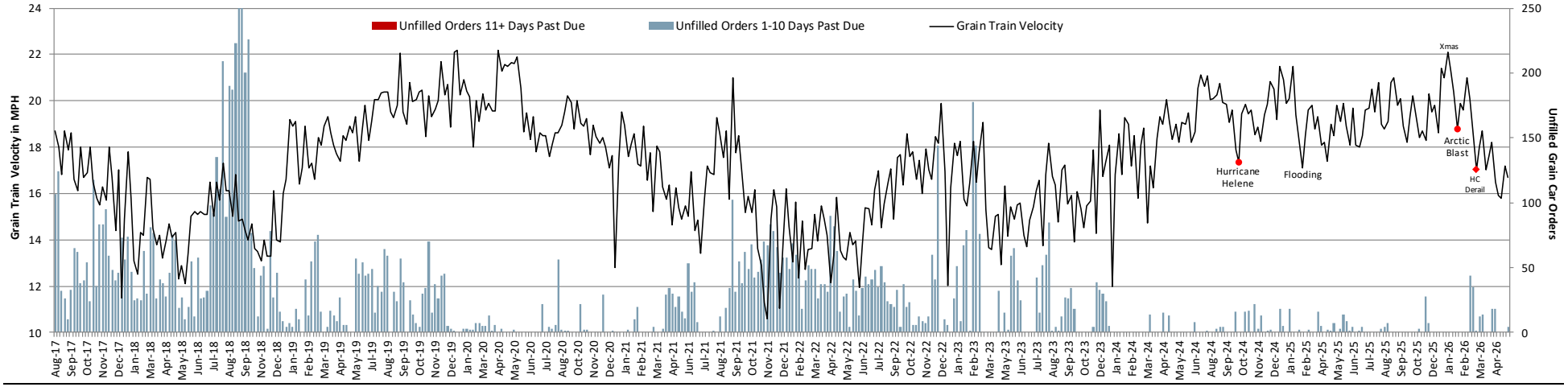


Source: Norfolk Southern & STB.

Grain Train Efficiency

Average grain train speed downticked in the week ending May 22 and remains only modestly above its two-year low. NS reported four unfilled grain car orders to the STB.

Figure 33: Norfolk Southern Grain Shuttle Velocity (higher is better) and Unfilled Grain Car Orders (lower is better)

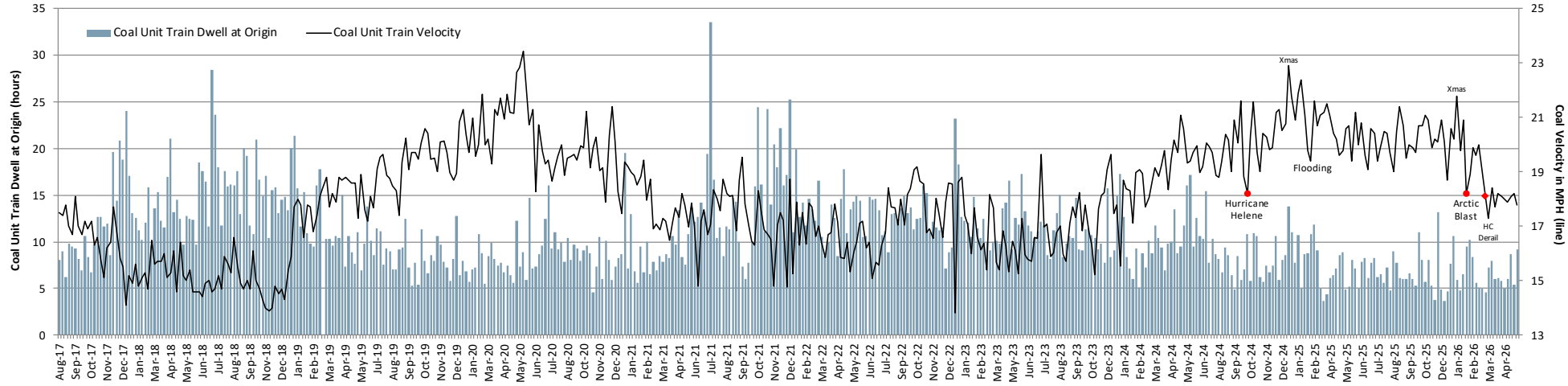


Source: Norfolk Southern & STB.

Coal Train Efficiency

Average coal train speed also modestly slower last week and remains underwhelming versus performance in 2024 and 2025. Dwell at origin still in the normal band.

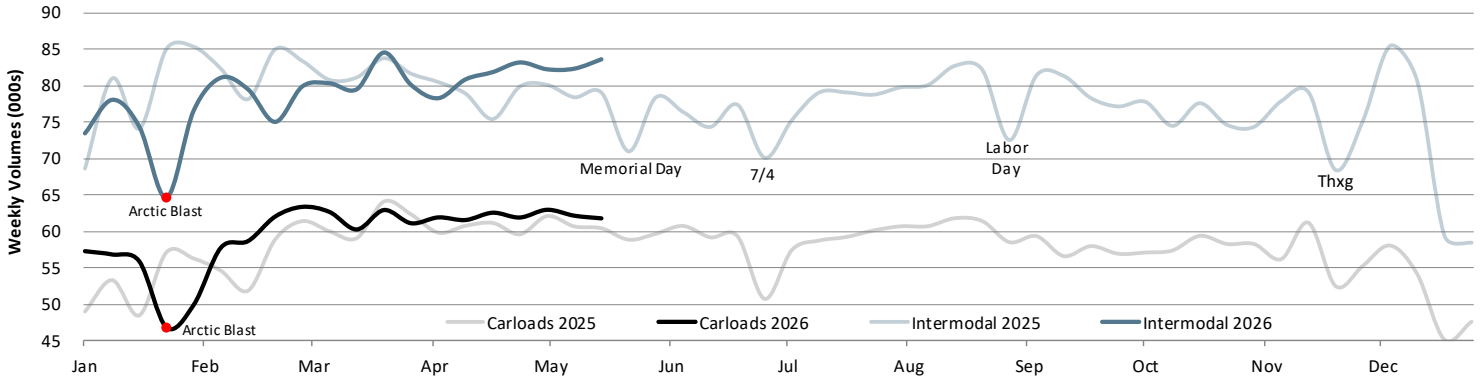
Figure 34: Norfolk Southern Coal Unit Train Dwell at Origin (lower is better) and Coal Unit Train Velocity (higher is better)



Source: Norfolk Southern & STB.

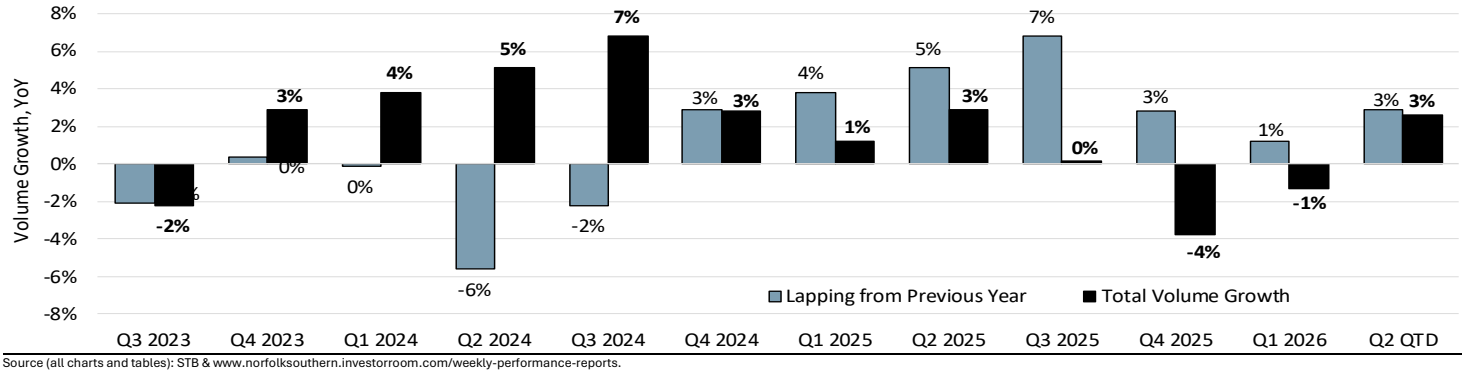
PUBLIC REDACTED VERSION

Norfolk Southern Volumes Through Week Ending 5/23/26



Norfolk Southern		Year-to-Date			Q2 Quarter-to-Date			Week Ending 5/23/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Coal	Coal	280.4	262.1	7.0%	107.1	103.5	3.5%	13.9	13.9	0.2%
(14% of Sales)	Coke	13.6	12.0	13.1%	4.7	5.0	(4.8%)	0.7	0.7	(7.5%)
	Total Coal	**293.9**	**274.1**	**7.2%**	**111.8**	**108.5**	**3.1%**	**14.6**	**14.6**	**(0.2%)**
Chemicals	Chemicals	161.1	156.0	3.3%	60.9	58.3	4.4%	8.3	7.5	10.5%
(17% of Sales)	Petroleum Products	56.4	46.6	21.1%	21.5	17.2	25.1%	2.9	2.5	14.9%
	Non-metallic Minerals	9.7	7.6	26.8%	3.3	3.4	(2.4%)	0.3	0.5	(37.4%)
	Total Chemicals	**227.2**	**210.2**	**8.1%**	**85.7**	**78.9**	**8.6%**	**11.5**	**10.6**	**9.3%**
Metals & Construction	Metals & Products	95.5	99.4	(3.9%)	36.5	37.5	(2.7%)	4.9	4.6	7.2%
(13% of Sales)	Crushed Stone, Sand, & Gravel	89.1	92.7	(3.9%)	38.2	39.7	(3.9%)	4.8	5.2	(7.4%)
	Stone, Clay, & Glass Products	49.8	47.2	5.5%	20.2	18.9	6.8%	2.6	2.4	9.2%
	Iron & Steel Scrap	37.2	35.7	4.2%	14.0	13.6	2.8%	2.0	1.9	0.5%
	Metallic Ores	1.9	1.6	21.7%	0.9	0.6	42.6%	0.1	0.1	(13.1%)
	Total Metals/Construction	**273.6**	**276.7**	**(1.1%)**	**109.7**	**110.4**	**(0.6%)**	**14.3**	**14.2**	**1.1%**
Agriculture, Forest & Consumer	Grain	70.6	73.2	(3.4%)	25.6	26.9	(5.0%)	3.1	3.3	(6.7%)
(21% of Sales)	Grain Mill Products	49.9	48.5	3.0%	19.5	18.6	4.9%	2.5	2.4	4.5%
	Food & Kindred Products	34.6	33.6	3.0%	13.5	12.8	6.1%	1.8	1.8	(1.9%)
	Farm Products Ex. Grain	3.5	3.6	(2.6%)	1.2	1.4	(14.1%)	0.2	0.2	(5.4%)
	Pulp, Paper & Allied Products	42.6	45.3	(6.0%)	16.0	16.1	(0.5%)	2.1	2.0	2.6%
	Lumber & Wood Products	17.1	18.2	(6.2%)	7.1	7.3	(2.8%)	1.0	1.0	(0.8%)
	Primary Forest Products	5.8	6.5	(10.5%)	2.2	2.4	(10.0%)	0.3	0.4	(11.1%)
	Waste & Other Scrap	30.0	30.1	(0.3%)	12.0	11.6	3.5%	1.5	1.6	(9.2%)
	All Other Carloads	9.5	10.8	(12.2%)	3.5	4.7	(25.0%)	0.7	0.5	42.8%
	Total Ag, Forest, Consumer	**263.6**	**269.6**	**(2.2%)**	**100.5**	**101.7**	**(1.1%)**	**13.1**	**13.2**	**(0.8%)**
Automotive (9% of Sales)	**Motor Vehicles & Equipment**	**151.3**	**149.5**	**1.2%**	**61.5**	**60.9**	**1.0%**	**8.2**	**7.9**	**3.9%**
	TOTAL CARLOADS	**1,209.6**	**1,180.1**	**2.5%**	**469.3**	**460.2**	**2.0%**	**61.7**	**60.4**	**2.2%**
Intermodal	Containers	1,566.6	1,586.7	(1.3%)	603.7	586.2	3.0%	81.6	77.3	5.6%
(25% of Sales)	Trailers	38.3	40.4	(5.3%)	14.6	13.3	10.2%	2.0	1.8	13.3%
	TOTAL INTERMODAL	**1,604.8**	**1,627.1**	**(1.4%)**	**618.3**	**599.5**	**3.1%**	**83.6**	**79.0**	**5.8%**
	TOTAL	**2,814.4**	**2,807.2**	**0.3%**	**1,087.6**	**1,059.7**	**2.6%**	**145.4**	**139.5**	**4.2%**

Figure 35: Norfolk Southern Quarterly Volume Growth and Associated Y/Y Comps



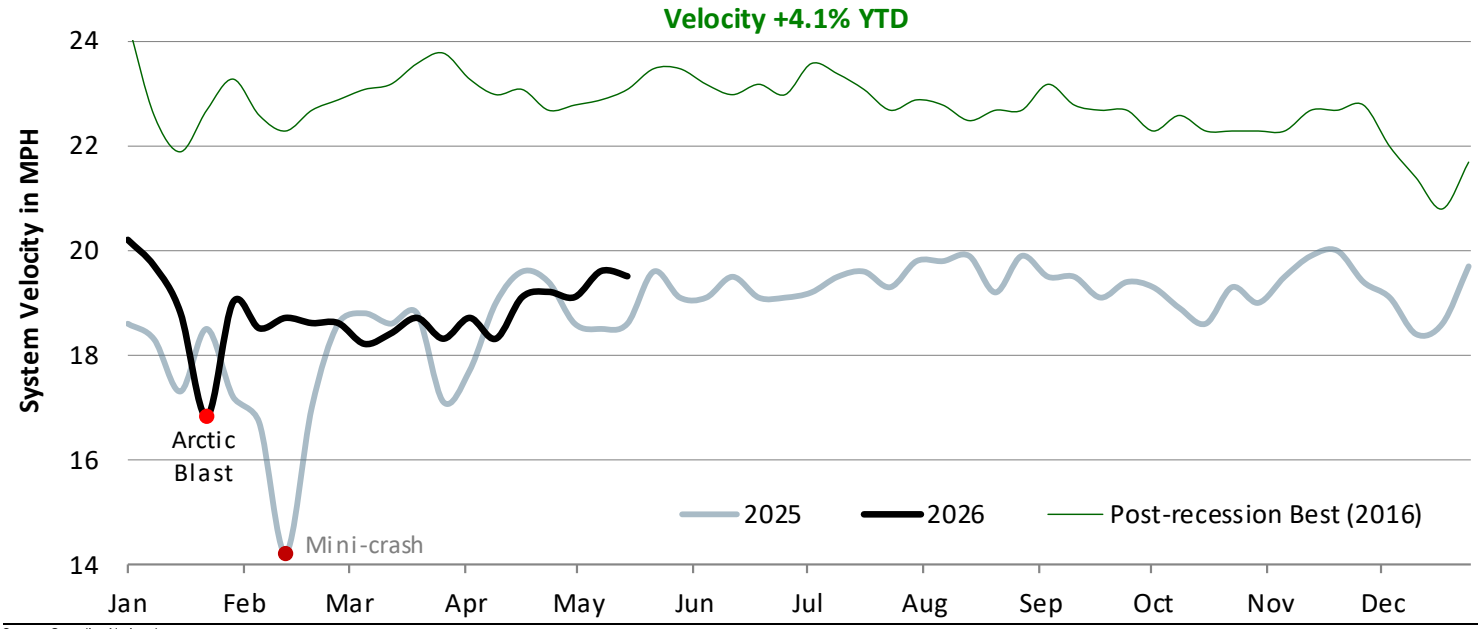
Source (all charts and tables): STB & www.norfolksouthern.investorroom.com/weekly-performance-reports.

Canadian National

Velocity and terminal dwell now look solid versus year-ago levels, plus YTD numbers are beneficially inflated because we lapped the "mini-crash" in February.

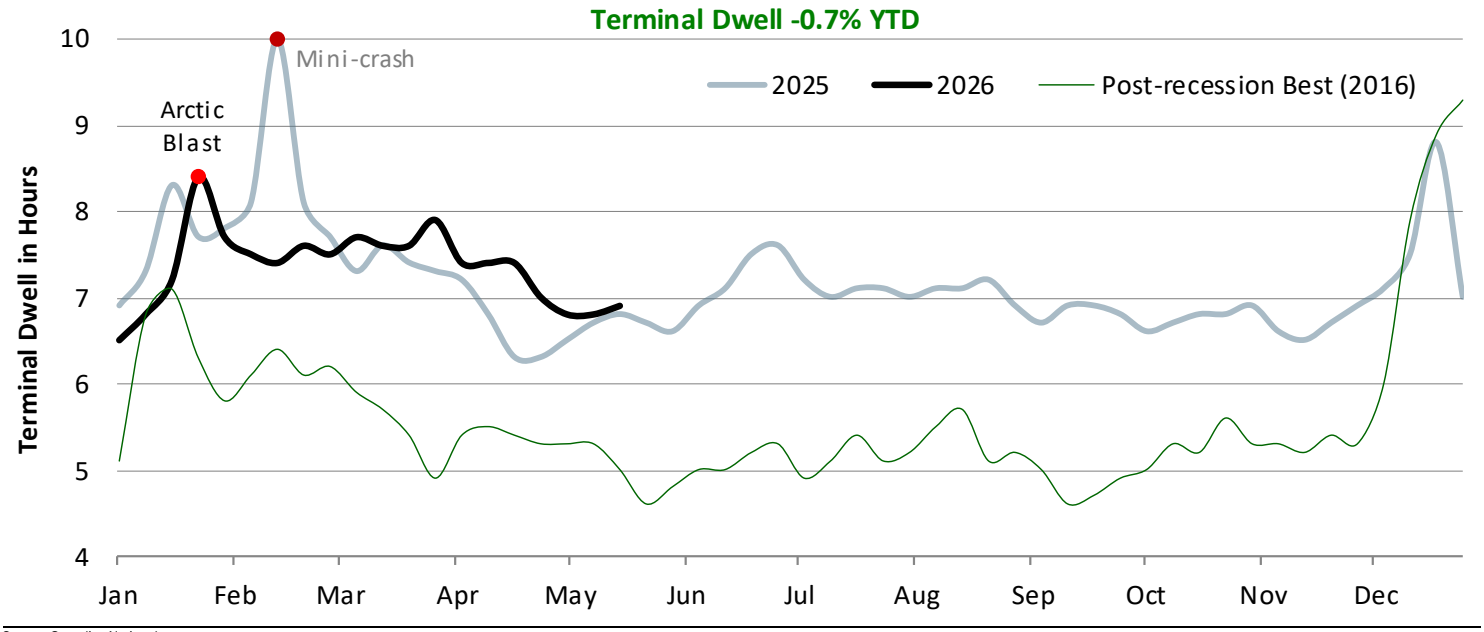
Year-over-Year Network Velocity and Terminal Dwell

Figure 36: Canadian National Full System Velocity



Source: Canadian National.

Figure 37: Canadian National Full System Terminal Dwell



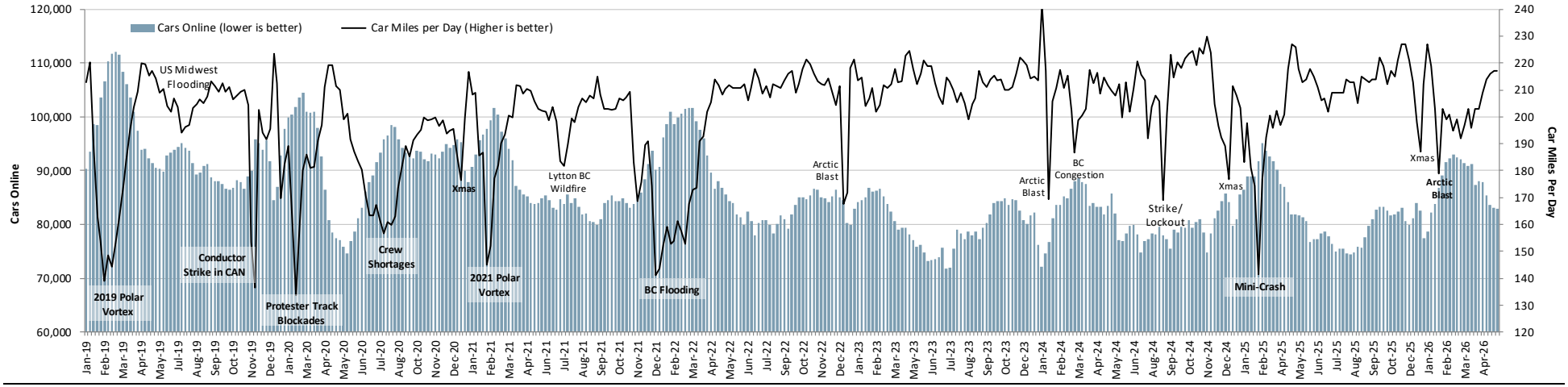
Source: Canadian National.

Note CN reports terminal dwell inclusive of "run-through trains", which heavily distorts this metric lower because it includes minimal dwell for cars on trains that have only stopped briefly to change crews or refuel (no switching). e.g. ~24 hours dwell for classified cars and ~3 hours dwell for cars on run-through trains. This is why CN and CPKC dwell is much lower than the mid-20s reported by the US railroads.

Cars Online and Car Miles Per Day

CN had another positive week, with cars online falling from 83,114 to 82,885 (below 85,000 is the historical benchmark where CN runs well), which enabled car miles per day of 117 to remain near the upper end of its traditional 200-220 range.

Figure 38: Canadian National Cars Online (lower is better) and Car Miles Per Day (higher is better)

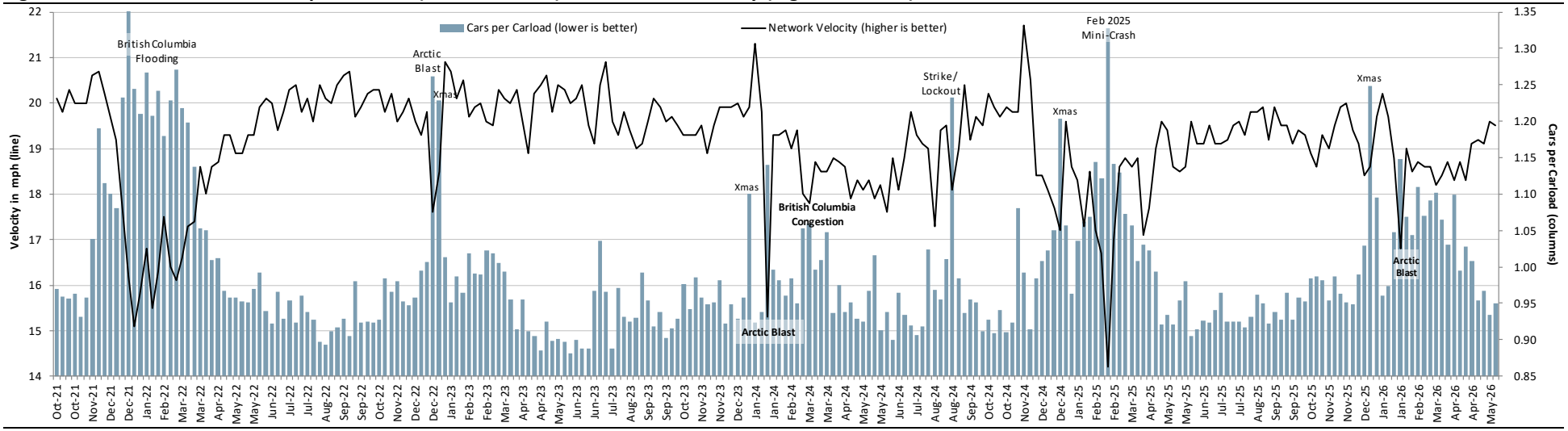


Source: Canadian National.

Cars per Carload and Network Velocity

Cars per carload (columns, far right, and definition below the chart) deteriorated from 0.93 to 0.95, but anything below 1.0 is historically healthy at CN. Network velocity also downticked but remains healthy.

Figure 39: Canadian National Cars per Carload (lower is better) and Network Velocity (higher is better)

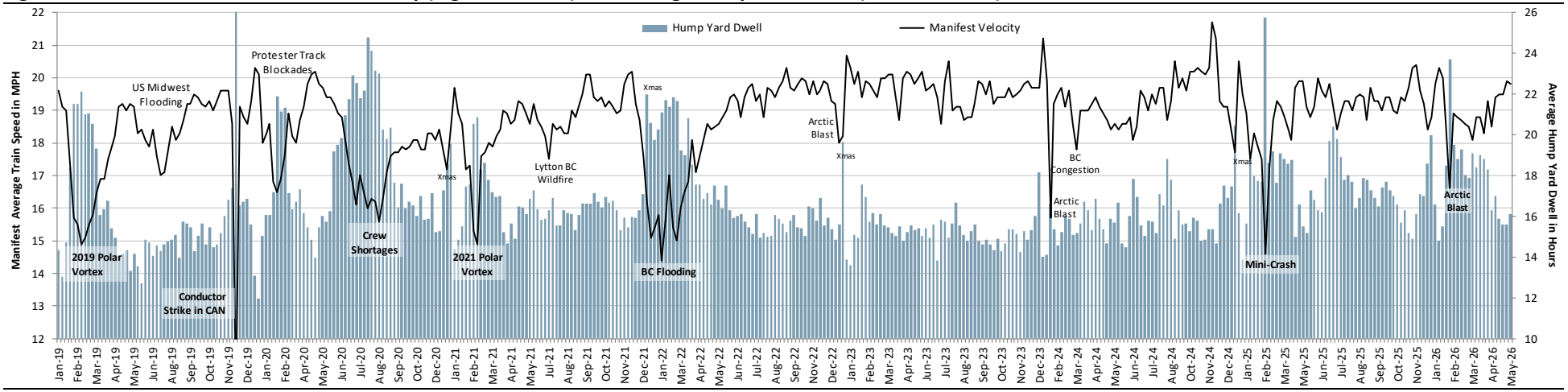


Source: Canadian National. Cars per Carload defined as weekly cars online divided by weekly loads, with intermodal divided by two to adjust containers to cars.

Manifest Network Efficiency

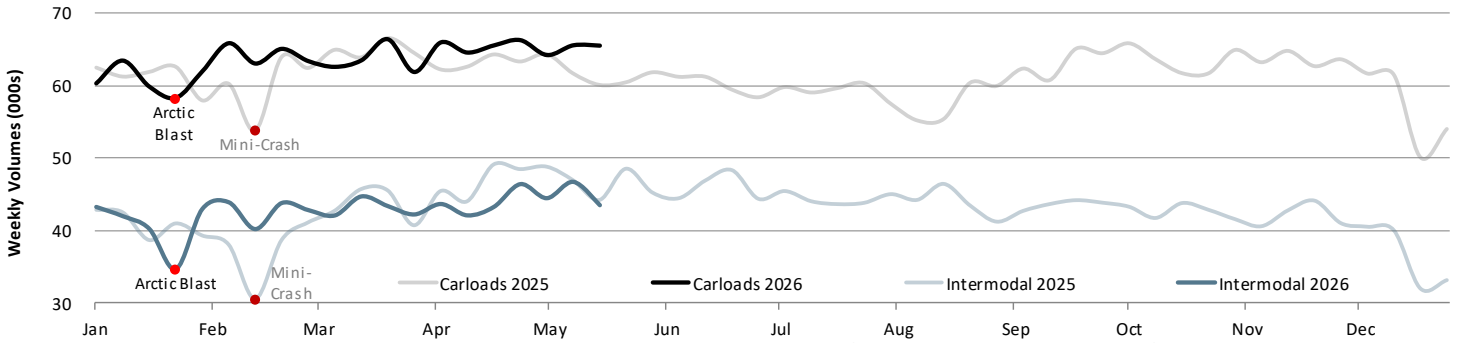
Manifest velocity was the same—a small downtick but remains good in absolute terms. Average dwell for the four hump yards that support this network (Toronto, Winnipeg, Chicago, and Memphis) added 30 minutes to 16.1 hours.

Figure 40: Canadian National Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)



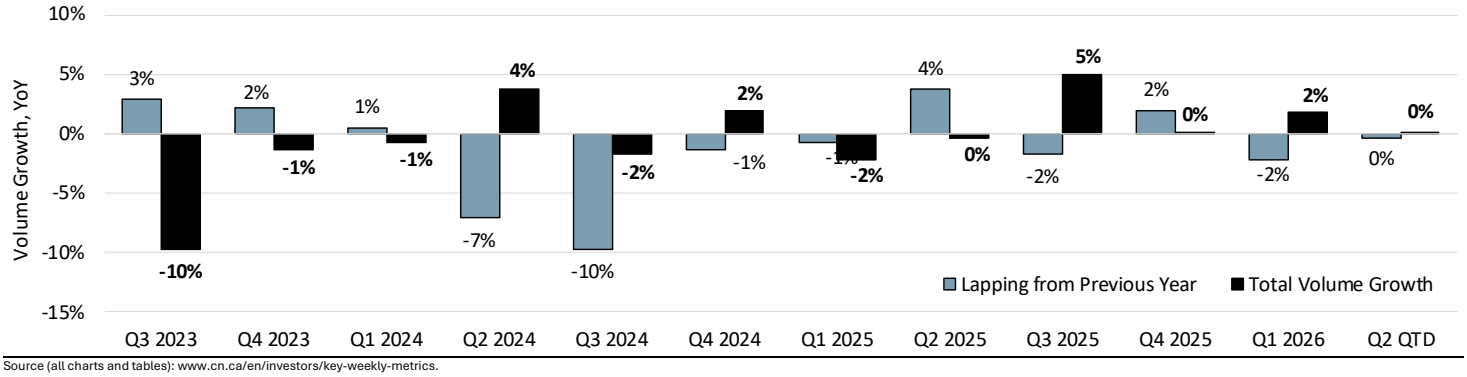
Source: Canadian National. Hump Yard Dwell represents average dwell for CN's four active hump yards.

Canadian National Volumes Through Week Ending 5/23/26



Canadian National		Year-to-Date			Q2 Quarter-to-Date			Week Ending 5/23/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Petroleum & Chemicals	Chemicals	187.1	180.5	3.6%	70.2	68.6	2.4%	8.6	9.1	(4.6%)
(20% of Sales)	Petroleum Products	140.7	127.9	10.0%	50.8	42.9	18.4%	6.9	5.6	23.9%
	Non-metallic Minerals	24.5	25.4	(3.4%)	10.3	9.6	7.4%	1.2	0.8	50.0%
	Total Petroleum & Chemicals	**352.3**	**333.8**	**5.5%**	**131.3**	**121.1**	**8.4%**	**16.8**	**15.5**	**8.6%**
Grain & Fertilizers	Grain	132.3	116.3	13.8%	51.6	45.9	12.5%	6.9	5.0	37.0%
(20% of Sales)	Farm Products Ex. Grain	40.5	31.4	28.9%	15.5	12.1	28.2%	2.0	0.9	138.7%
	Grain Mill Products	28.3	27.3	3.6%	9.8	9.1	7.9%	1.4	1.3	7.8%
	Food & Kindred Products	38.1	37.7	1.1%	14.4	13.5	6.2%	1.9	1.8	3.7%
	Total Grain & Fertilizers	**239.3**	**212.8**	**12.5%**	**91.2**	**80.6**	**13.3%**	**12.2**	**9.0**	**35.8%**
Forest Products	Pulp, Paper & Allied Products	50.9	50.2	1.5%	18.2	17.7	3.0%	2.5	2.3	11.5%
(12% of Sales)	Lumber & Wood Products	42.7	47.3	(9.7%)	17.3	17.9	(3.0%)	2.2	2.3	(5.5%)
	Primary Forest Products	9.4	13.1	(28.2%)	3.7	5.2	(29.6%)	0.5	0.8	(35.9%)
	Total Forest Products	**103.0**	**110.5**	**(6.8%)**	**39.2**	**40.8**	**(3.8%)**	**5.2**	**5.4**	**(2.8%)**
Metals & Minerals	Metallic Ores	196.4	197.1	(0.4%)	72.0	75.1	(4.0%)	10.1	10.8	(6.6%)
(13% of Sales)	Crushed stone, Sand, & Gravel	48.9	51.1	(4.4%)	21.7	22.8	(4.9%)	3.1	3.5	(10.0%)
	Metals & Products	27.4	31.0	(11.7%)	10.1	11.2	(9.7%)	1.4	1.5	(8.1%)
	Stone, Clay, & Glass Products	18.5	19.1	(3.3%)	7.2	7.6	(4.5%)	1.1	1.0	5.2%
	All Other Carloads	31.9	24.8	28.8%	11.8	9.2	27.9%	1.7	1.0	68.9%
	Iron & Steel Scrap	16.5	13.4	23.2%	6.6	4.9	33.1%	0.8	0.6	28.7%
	Waste & Other Scrap	6.8	6.9	(1.4%)	2.7	2.6	2.8%	0.3	0.3	15.3%
	Total Metals & Minerals	**346.4**	**343.5**	**0.8%**	**132.1**	**133.4**	**(1.0%)**	**18.5**	**18.7**	**(1.1%)**
Autos (6% of Sales)	**Motor Vehicles & Equipment**	**81.7**	**83.2**	**(1.8%)**	**33.5**	**32.2**	**4.2%**	**4.5**	**4.1**	**9.8%**
Coal	Coal	150.5	160.9	(6.5%)	56.9	59.2	(3.9%)	7.2	6.4	12.3%
(6% of Sales)	Coke	22.8	26.0	(12.5%)	8.6	9.5	(9.8%)	1.1	1.2	(4.5%)
	Total Coal	**173.3**	**186.9**	**(7.3%)**	**65.4**	**68.7**	**(4.8%)**	**8.3**	**7.6**	**9.6%**
	TOTAL CARLOADS	**1,295.9**	**1,270.7**	**2.0%**	**492.9**	**476.7**	**3.4%**	**65.5**	**60.2**	**8.8%**
Intermodal	Containers	871.0	868.8	**0.3%**	334.4	349.6	**(4.3%)**	43.5	44.2	**(1.5%)**
(24% of Sales)	Trailers	-	-		-	-		-	-	
	TOTAL INTERMODAL	**871.0**	**868.8**	**0.3%**	**334.4**	**349.6**	**(4.3%)**	**43.5**	**44.2**	**(1.5%)**
	TOTAL	**2,166.9**	**2,139.5**	**1.3%**	**827.3**	**826.3**	**0.1%**	**109.0**	**104.4**	**4.5%**

Figure 41: Canadian National Total System Quarterly Volume Growth and Associated Y/Y Comps

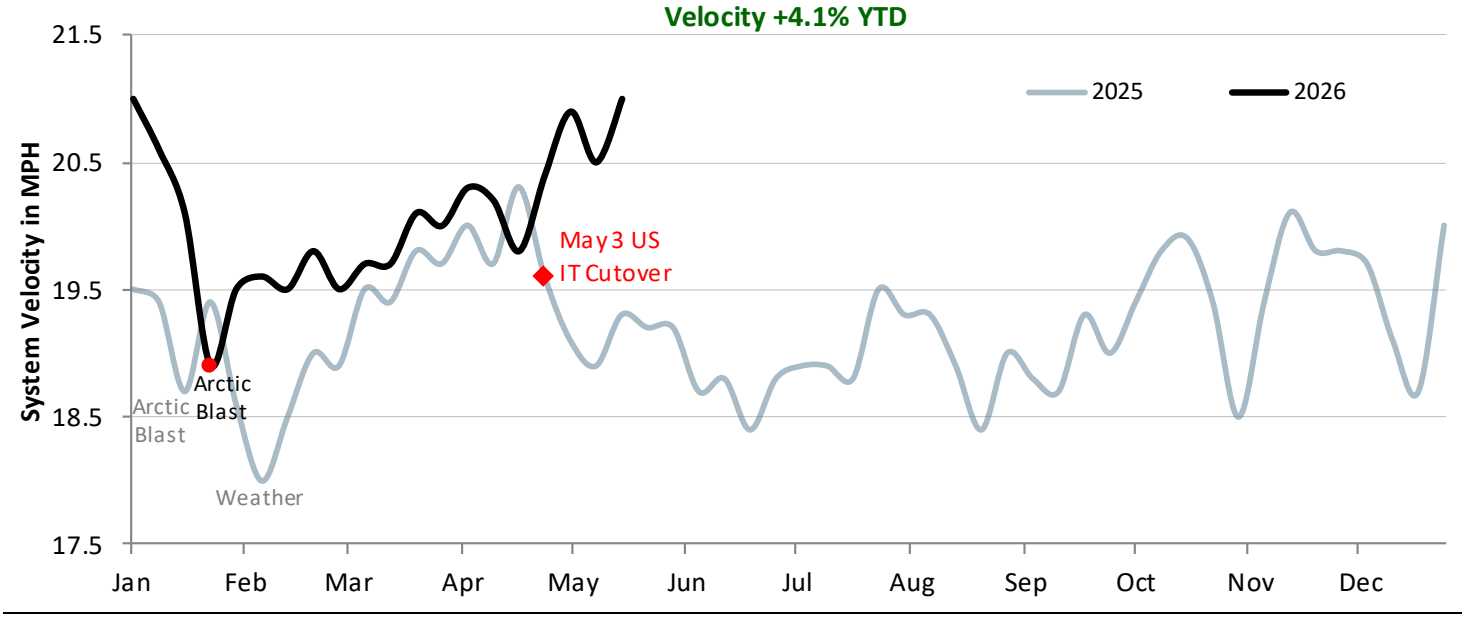


Source (all charts and tables): www.cn.ca/en/investors/key-weekly-metrics.

Velocity re-rallied to a multi-year high in the week ending May 22 and terminal dwell looks similarly very good. YTD gains for both metrics will also expand going forward as we're now lapping the problematic KCS Transportation Management System cutover that started on May 3 last year. Rather, volumes remain the issue at CPKC; down YTD and QTD.

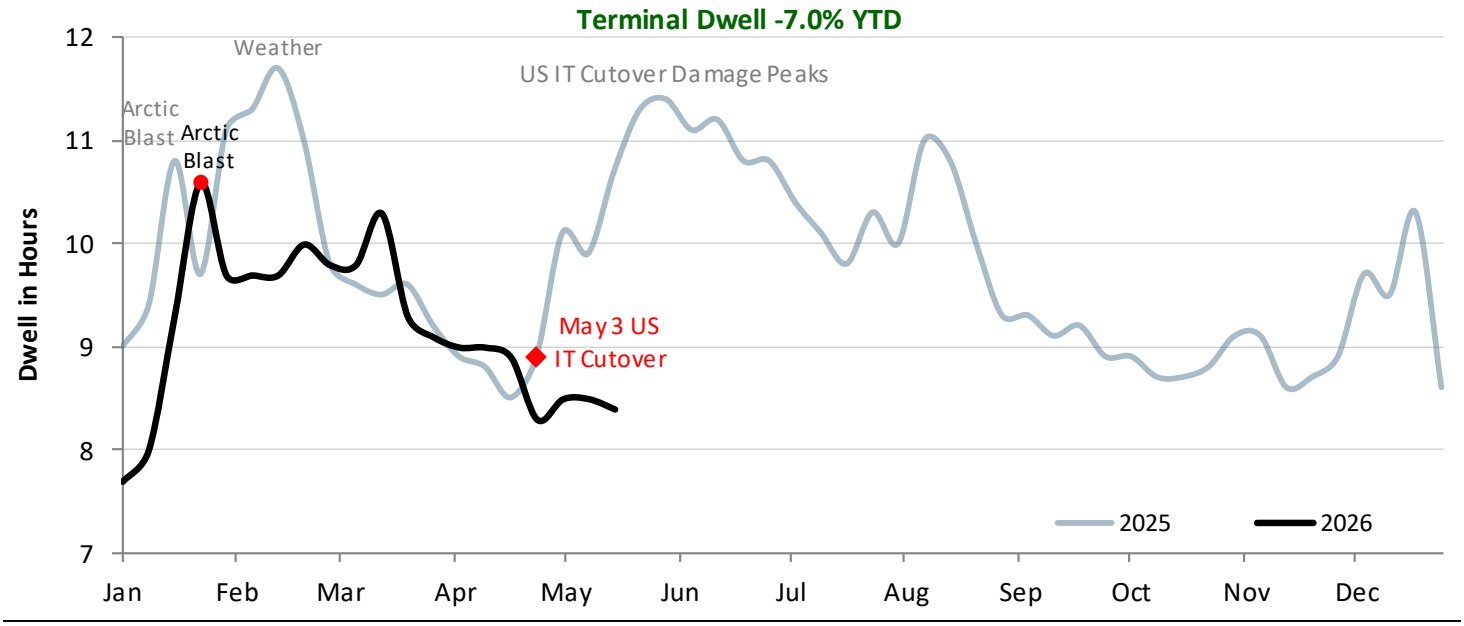
Year-over-Year Network Velocity and Terminal Dwell

Figure 42: CPKC Full System Velocity



Source: CPKC.

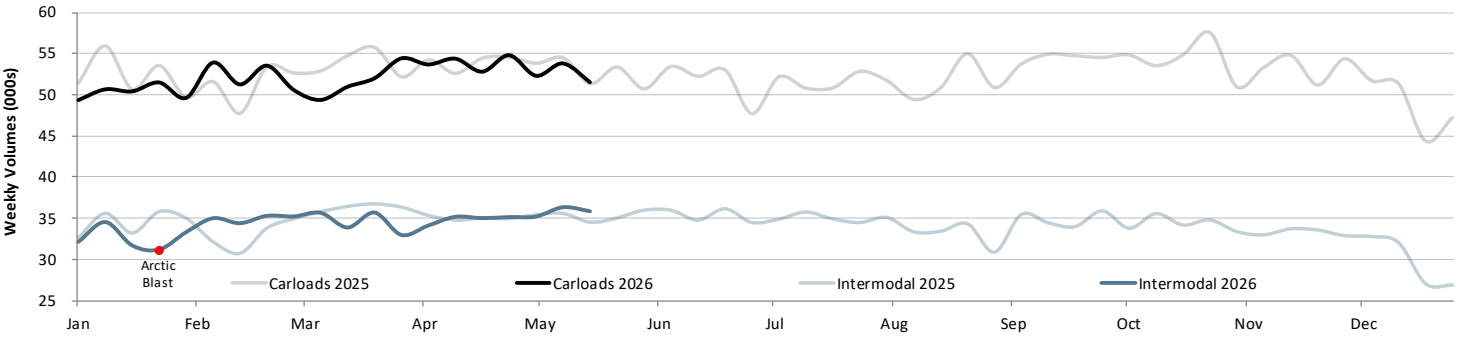
Figure 43: CPKC Full System Terminal Dwell



Source: CPKC.

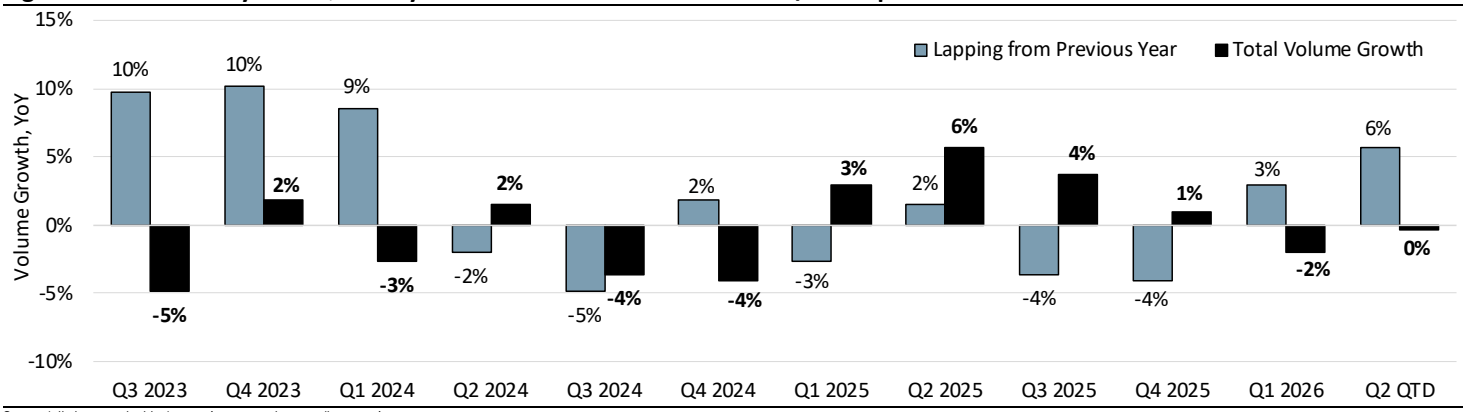
Note CPKC reports terminal dwell inclusive of "run-through trains", which heavily distorts this metric lower because it includes minimal dwell for cars on trains that have only stopped briefly to change crews or refuel (no switching). e.g. ~24 hours dwell for classified cars and ~3 hours dwell for cars on run-through trains. This is why CPKC and CN dwell is much lower than the mid-20s reported by the US railroads.

CPKC Volumes Through Week Ending 5/23/26



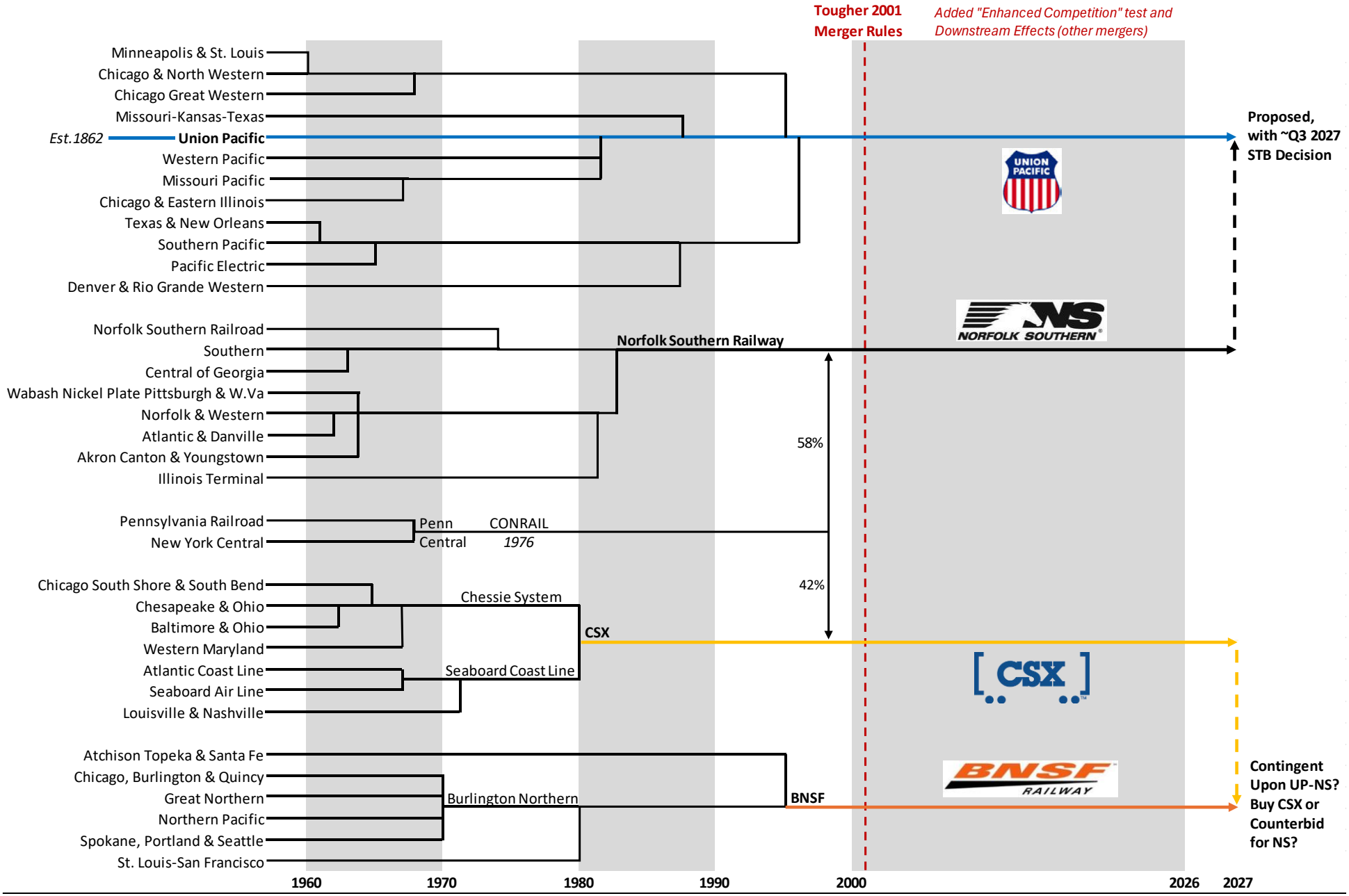
CPKC		Year-to-Date			Q2 Quarter-to-Date			Week Ending 5/23/26		
Reporting Segment	**Commodity**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**	**2026**	**2025**	**Δ**
Grain	Grain	153.4	144.7	6.0%	61.7	59.1	4.3%	7.4	7.0	6.4%
(20% of Sales)	Farm Products, Ex. Grain	39.2	26.9	45.9%	16.1	10.5	53.5%	2.3	1.1	111.6%
	Food & Kindred Products	39.7	36.3	9.3%	14.9	13.0	14.4%	1.9	1.5	27.9%
	Grain Mill Products	25.7	23.5	9.2%	9.9	8.5	16.0%	1.3	1.0	26.4%
	Total Grain	**257.9**	**231.4**	**11.5%**	**102.5**	**91.1**	**12.5%**	**13.0**	**10.6**	**22.3%**
Energy, Chemicals & Plastics	Chemicals	197.4	193.5	2.0%	75.7	72.5	4.3%	9.8	9.3	5.4%
(19% of Sales + 5% Potash)	Petroleum Products	113.1	123.5	(8.4%)	40.8	45.9	(11.1%)	5.2	5.7	(9.2%)
	Total Energy, Chem, Plastics	**310.4**	**316.9**	**(2.1%)**	**116.5**	**118.4**	**(1.7%)**	**15.0**	**15.0**	**(0.2%)**
Metals, Minerals & Consumer	Stone, Clay and Glass Products	34.3	33.5	2.7%	13.8	13.0	6.3%	1.9	1.8	4.3%
(13% of Sales)	Crushed Stone, Gravel & Sand	51.0	44.8	13.8%	21.8	18.2	20.2%	2.8	2.6	6.8%
	Metals and Products	48.8	54.2	(9.9%)	18.9	18.9	(0.3%)	2.6	2.3	13.9%
	Iron and Steel Scrap	18.0	18.4	(1.9%)	7.0	6.5	6.6%	0.9	0.8	5.3%
	Metallic Ores	7.2	8.3	(13.3%)	3.2	3.0	5.5%	0.5	0.3	91.5%
	Waste & Scrap Materials	3.9	4.6	(14.0%)	1.6	1.8	(9.2%)	0.2	0.2	(14.5%)
	Total Metals, Min, Consumer	**163.4**	**163.8**	**(0.3%)**	**66.2**	**61.4**	**7.9%**	**8.9**	**8.1**	**10.1%**
Coal	Coal	148.2	169.5	(12.6%)	47.4	62.3	(23.8%)	5.1	8.4	(38.8%)
(7% of Sales)	Coke	16.6	19.6	(15.4%)	5.7	7.1	(19.9%)	0.7	0.8	(19.1%)
	Total Coal	**164.8**	**189.1**	**(12.9%)**	**53.1**	**69.3**	**(23.4%)**	**5.8**	**9.2**	**(37.0%)**
Automotive (8% of Sales)	**Motor Vehicles & Equipment**	**88.1**	**92.8**	**(5.1%)**	**37.4**	**35.1**	**6.5%**	**4.8**	**4.3**	**10.1%**
Fertilizers & Sulphur (3% of Sales)	**Non-metallic Minerals**	**7.2**	**7.0**	**3.3%**	**2.7**	**2.4**	**9.5%**	**0.4**	**0.4**	**19.1%**
Forest Products	Primary Forest Products	1.0	0.7	44.1%	0.3	0.3	33.6%	0.1	0.0	138.1%
(6% of Sales)	Lumber and Wood Products	15.5	17.0	(8.8%)	6.2	6.6	(5.0%)	0.7	0.8	(3.4%)
	Pulp, Paper, and Allied Product	31.7	35.9	(11.6%)	11.4	12.5	(9.1%)	1.5	1.7	(14.2%)
	Total Forest Products	**48.2**	**53.6**	**(10.0%)**	**17.9**	**19.3**	**(7.1%)**	**2.3**	**2.5**	**(9.6%)**
All Other Carloads	**Total All Other Carloads**	**21.4**	**24.6**	**(13.1%)**	**8.0**	**8.6**	**(6.3%)**	**1.3**	**1.2**	**8.8%**
	TOTAL CARLOADS	**1,061.3**	**1,079.1**	**(1.7%)**	**404.4**	**405.7**	**(0.3%)**	**51.5**	**51.4**	**0.3%**
Intermodal	Containers	697.9	703.1	(0.7%)	265.4	265.6	(0.1%)	35.8	34.4	4.1%
(20% of Sales)	Trailers	0.5	1.2	(60.9%)	0.0	0.5	(93.6%)	0.0	0.1	(98.2%)
	TOTAL INTERMODAL	**698.4**	**704.3**	**(0.8%)**	**265.4**	**266.1**	**(0.3%)**	**35.8**	**34.5**	**4.0%**
	TOTAL	**1,759.7**	**1,783.5**	**(1.3%)**	**669.8**	**671.8**	**(0.3%)**	**87.3**	**85.8**	**1.7%**

Figure 44: CPKC Full System Quarterly Volume Growth and Associated Y/Y Comps



Source (all charts and tables): www.investor.cpkcr.com/key-metrics.

How Did We Get Here: Creating the Big ~~Four~~Two?



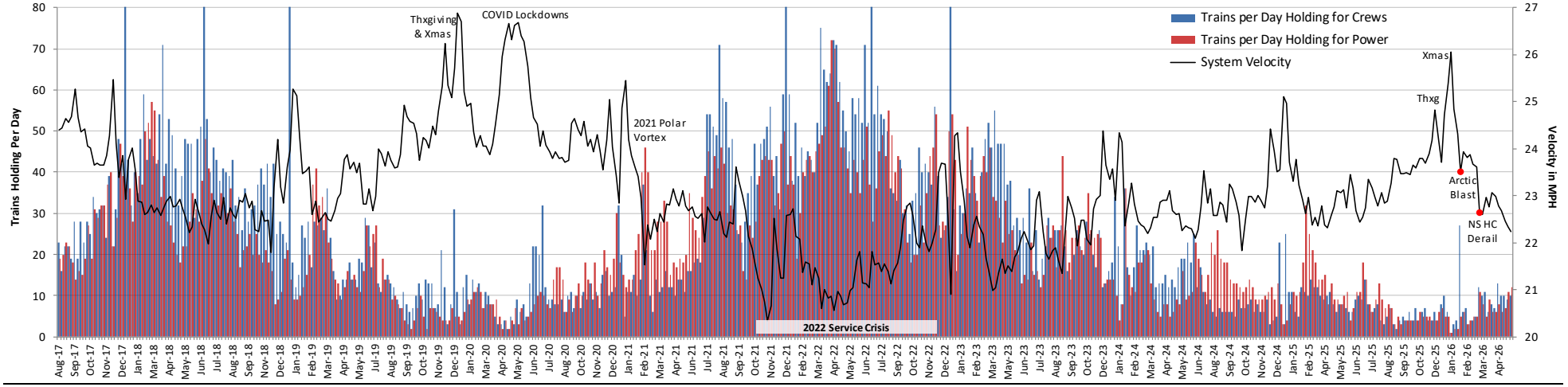
Source: Trains Magazine & Rick Paterson

Consolidated Union Pacific + Norfolk Southern

Network Velocity and Trains Holding for Crews and Power

In case you're curious, here are the key operating metrics for Union Pacific and Norfolk Southern as if they were operating as a consolidated network. The stronger these metrics are, the easier the integration will be, assuming of course the merger is approved by the STB, which is far from certain.

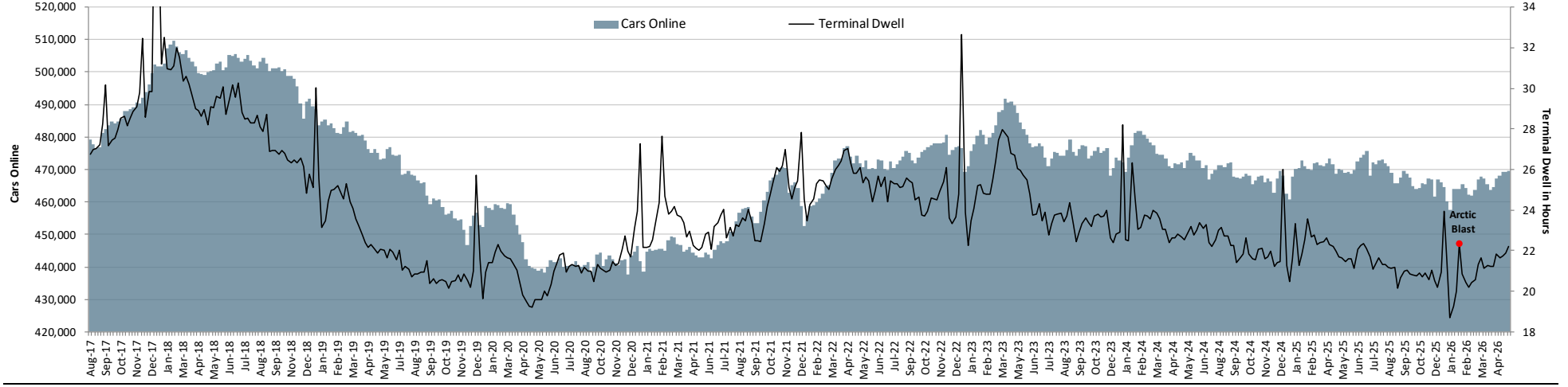
Figure 45: UP+NS Velocity (higher is better) and Trains per Day Holding for Power and Crews (lower is better)



Source: Union Pacific, Norfolk Southern & STB. System velocity is volume-weighted in every week; so if UP is 54% of total loads in a given week it's velocity will also be weighted 54%. Trains holding numbers are simply added together.

Terminal Dwell and Trains Holding for Other Reasons

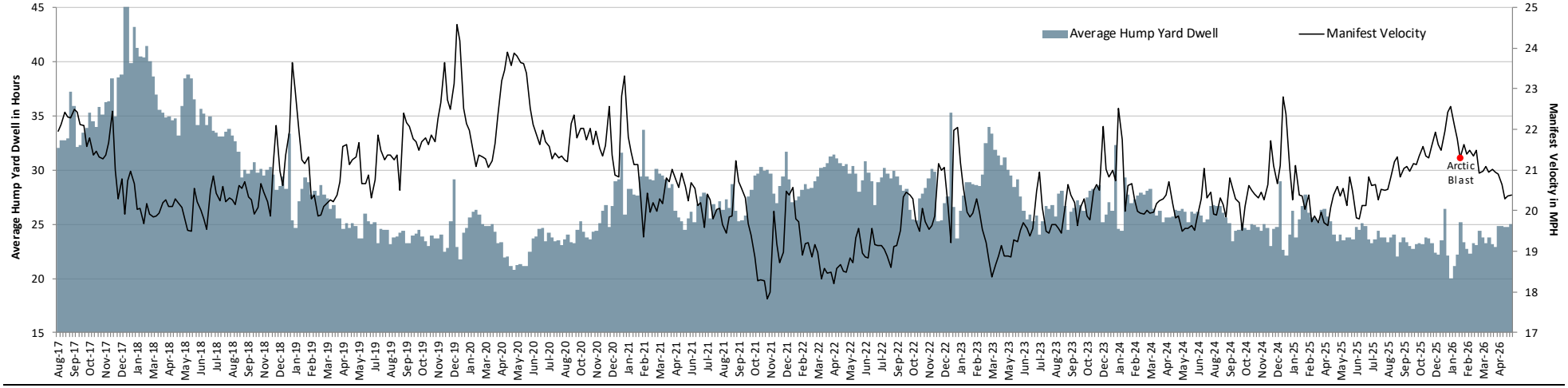
Figure 46: UP+NS Terminal Dwell and Cars Online (lower is better for both)



Source: Union Pacific, Norfolk Southern & STB. Terminal dwell is volume-weighted in every week; so if UP is 54% of total loads in a given week it's dwell will also be weighted 54% and NS 46%. Cars Online are simply added together.

Manifest Network Efficiency

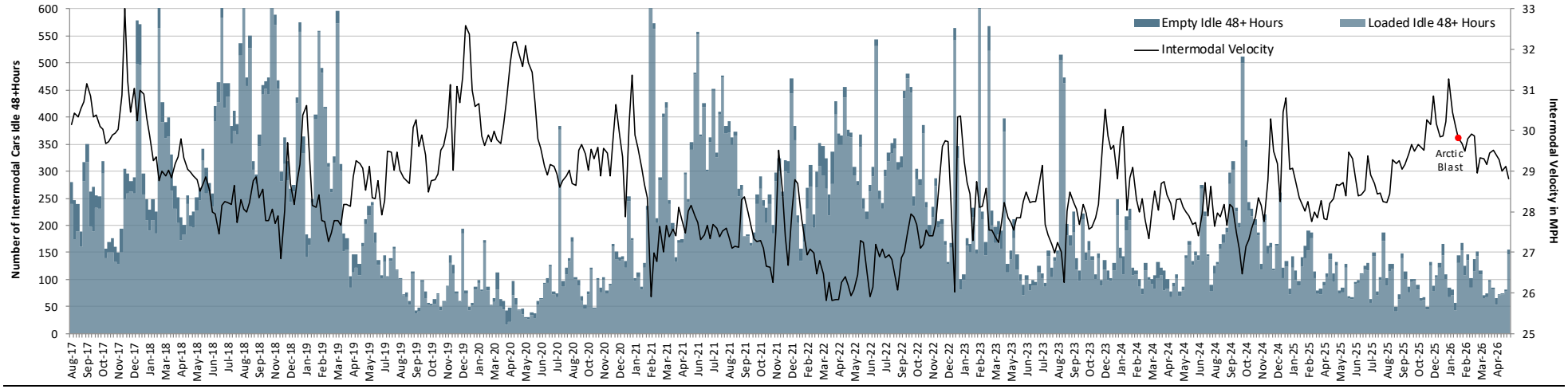
Figure 47: UP+NS Manifest Velocity (higher is better) and Average Hump Yard Dwell (lower is better)



Source: Union Pacific, Norfolk Southern & STB. Both metrics are volume-weighted by non-intermodal carloads. So if UP is 61% of total carloads in a given week it's manifest velocity and hump dwell will be weighted 61% and NS 39%.

Intermodal Network Efficiency

Figure 48: UP+NS Intermodal Velocity (higher is better) and the Number of Slow-to-Move Platforms (lower is better)



Source: Union Pacific, Norfolk Southern & STB. Intermodal velocity is volume-weighted by weekly intermodal loads. So if UP is 47% of total intermodal loads in a given week it's intermodal velocity will be weighted 47% and NS 53%. 48+ hours delays are added together.

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF MARK REDD

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

UNION PACIFIC CORPORATION AND
UNION PACIFIC RAILROAD COMPANY

— CONTROL —

NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY

VERIFIED STATEMENT OF MARK REDD

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I. INTRODUCTION

1. I am Mark Redd, Canadian Pacific Kansas City Limited's Executive Vice President and Chief Operating Officer, a position I have held since April 2023. In that role, my responsibilities include overseeing the 24/7/365 operations of CPKC's entire North America network.[1] This includes teams responsible for network transportation, operations, mechanical, engineering, training, and safety.

2. I have three decades of experience in the railroad industry. I began my career as a brakeman and conductor at MidSouth Rail in Jackson, Mississippi. MidSouth was later acquired by Kansas City Southern, and I worked my way up from brakeman to increasing levels of responsibility for KCS operations. Ultimately, I served as KCS's Vice President of Transportation from August 2010 to September 2013, when I joined Canadian Pacific.

3. At CP, I served as General Manager of Operations for U.S. West, General Manager of Operations for the Central Division, Vice President of Operations for the West Region, and as Senior Vice President of Operations for the West Region. In September 2019, I was appointed CP's Executive Vice President of Operations, a position I held until CPKC's creation in 2023 through the combination of CP and KCS.

4. One of my principal recent responsibilities has been overseeing the combination of CP and KCS following the Board's decision authorizing that transaction in 2023. As the CPKC executive responsible for leading CPKC's multi-year integration efforts, I have first-hand experience with the degree of effort necessary to integrate the operations of two Class I railroads as well as on-the-ground experience with some of the things that go wrong during an integration.

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[1] A map of the CPKC system, other rail lines and connections and geographic points is attached as Appendix B.

5. I am submitting this statement to address four key points concerning the proposed combination of Union Pacific and Norfolk Southern.

- First, I offer the Board my observations regarding the likely consequences of the proposed transaction for the future operational health of the North American rail network, bringing to bear my own experiences in railroading and the challenges CPKC faced integrating two railroads that are far smaller and have much simpler networks than UP and NS.
- Second, I address Applicants' claims regarding the so-called "single-line" benefits they claim for their transaction. In my view, Applicants have vastly overstated those benefits, particularly by failing to acknowledge the many ways in which interline service can provide outcomes quite similar to single-line service and effectively meet shipper needs.
- Third, I explain a number of specific ways in which the traffic and network changes that Applicants are planning will cause serious disruption to the rail network at crucial locations like Chicago, Kansas City, Meridian, MS and elsewhere.
- Finally, I explain that certain conditions CPKC is proposing in the event the Board concludes that the UP-NS merger is in the public interest—which I do not believe is the case—would be operationally feasible.

II. THE UP-NS TRANSACTION WILL POSE SERIOUS AND EXISTENTIAL RISKS FOR RAIL SERVICE ON THE NORTH AMERICAN NETWORK

6. Knowing what I know about what it takes to manage the operations of a Class I railroad and to do so well, and with deep recent experience integrating two relatively small Class I railroads, I am gravely concerned that the UP-NS network would be *too big to manage, too big*

to handle and too big to integrate, and that stitching together a network of that size and complexity would run material risks of future service failure for the U.S. rail network.

7. Running a railroad well requires that operating personnel at every level have extensive and often intimate knowledge and experience with a massive array of issues that affect network performance. The list would be nearly infinite but certainly includes: safety management systems; track configuration; operating limitations imposed by grades, bridges, siding length, clearances, maintenance issues, and other constraints; the specific service needs associated with each customer facility attached to the network including when it can be served, how it is reached, and its capacity to receive empty or loaded railcars; the capabilities of yards and other terminals; and the peculiar factors that can radically influence local operating conditions, like drainage and interfaces with local community activities. On top of this, railroad operating managers, from trainmasters all the way up to COOs, must have deep problem-solving experience with the kinds of issues that can arise anywhere on the network, at any time of day or night. Mechanical breakdowns, derailments, washouts, traffic surges that tax yard or mainline capacity and countless other operational issues require nimble and informed decision-making to keep a railroad running fluidly. When issues like these arise it is because the conditions necessary for the "transportation plan" to work no longer apply, and improvisation is required to overcome the disruption and prevent it from spiraling into a broader problem affecting network congestion and service levels. And, of course, last but not least, every decision must be implemented by the humans working on the railroad, so an appreciation of their capabilities and cultures, which can vary tremendously across different regions of North America, is absolutely vital.

8. I also know from experience that the knowledge, experience and judgment needed to keep a rail network operating smoothly grow exponentially with the scope, scale, and traffic levels of that network. The entire network needs to be managed by operating officers and employees who have the kind of deep network knowledge and experience that enables them to deal with all of the "stuff" that happens across the network on a day-to-day basis. Those same officers and employees also need to have time during their week to address the countless issues that require advance planning and preparation, like planning for capital maintenance programs, revisions to operating plans to address new traffic or changing traffic flows, investments in new sidings and other capacity projects, and countless other vital tasks.

9. It is against this backdrop and based on my own experience running and integrating a major railroad that I have developed my great concern that forming and operating a transcontinental railroad having the scope and scale of UP-NS would be inviting disaster. There is literally zero precedent for anyone, or any company, managing a railroad network of such great size, scope and scale. There is no way that any COO, or any small group of managers, could have the scope and variety of knowledge and experience necessary to respond in real time to all of the operational issues that would arise on an hourly basis across vast swathes of territory on a railroad the size of post-merger UP. And on such a sprawling railroad there will be no way for local operating personnel (trainmasters, yardmasters, superintendents, and general managers) to gain the years of *indispensable locally specific learning and experience* they would need to make decisions in the locations they might be serving in any given month.

10. This is a problem that will not be limited to any "integration period." The future UP system will simply be unmanageable—it will literally be too big to handle. That does not mean that line employees will not know how to run the railroad to plan, but when issues arise

there will inevitably be wrong on-the-ground decisions made and bad outcomes just because the senior leaders are pulled in too many directions.

11. The industry has already seen how congestion on one small part of a network caused by some seemingly minor event, like a derailment that shuts down a track or two for a few days, can quickly snowball into network-wide congestion unless managed well. With a network of transcontinental scope, there will be an unprecedented amount of room for those snowballs to grow and cause lasting damage to network fluidity and customer service.

12. The integration of UP and NS will be even harder. UP cannot fully appreciate the unique location-specific issues it will be confronted with trying to integrate a railroad that serves geographies in the East that UP does not serve at all today. I have seen such issues firsthand on KCS when CP integrated that railroad. UP will be bringing the "UP way of doing things" to a group of railroaders that have not been trained in those ways, that lack experience in those ways, and likely will think that UP's ways are not superior to what they have been doing. UP and NS both call themselves "PSR" railroads, but my interactions with both of them tell me that the version of PSR that UP practices (itself different from CPKC's) is far different from that of NS.

13. At the same time, UP will need to contend with attrition in NS's operational ranks, some planned and some resulting from the culture clash that will be inevitable. We have already seen indications of this with the rushed departure of John Orr from NS over the span of one weekend, while the merger proceeding has been pending.

14. The bottom line is this: nobody can know precisely what misstep or external event will trigger the next service crisis on UP. But past railroad experience, including on UP and NS, tells us that there will be one, and with a system of unprecedented size and scope that is more difficult to manage than any railroad has ever been, the consequences will be much worse and

much harder to get under control. Allowing UP and NS to merge is a ticket towards the edge of a service crisis cliff.

III. Applicants' Claims About the Operational Advantages of "Single-Line" Service Are Greatly Exaggerated

15. Applicants' central claimed benefit is that their proposed "single line" service will convert thousands of existing interline lanes into faster, more efficient single-line service and, in doing so, save rail shippers on inventory and equipment costs by removing interchange handoffs that can add 24-48 hours.[2] They contend that this would improve not only transit time, but also reliability, visibility, equipment utilization, inventory costs, and accountability to the customer.[3] This is a naïve, uninformed perspective at best.

16. Applicants' characterization of the inherent operational costs of "interchange" is inaccurate. To be sure, there are contexts—like the Kansas City interchange between CP and KCS in the *CP/KCS* merger setting (which I discuss below)—in which a merger can foster operational efficiencies by replacing interline service with single-line service. But as I explain below, there are at least two key mistakes Applicants make when they claim that converting interline movements to single-line movements (*i.e.*, removing an interchange) will generate operational advantages that are otherwise unobtainable.

17. First, Applicants make "interchange" seem more burdensome and time-consuming than it really is by muddling the act of handing off railcars from one railroad to another (in other words, the "interchange") with work performed at or near the point of interchange to sort those cars from one train to another (whether by swapping blocks or breaking

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2 *See* Rev. App. 1-19; *id.* at 261-62 (George V.S. ¶¶ 45, 47); *id.* at 294 (Rocker & Elkins V.S. ¶ 50).

3 Rev. App. 1-60 to -62.

up an entire train at a classification yard). As I explain below, the interchange is not usually what takes time; what takes time is the work that always needs to be performed whether a railcar is moving from one railroad to another or simply moving through a major terminal on a single railroad.

18. Second, when the volume of traffic flows in an interline rail corridor is sufficiently dense to support train- or block-level handling, independent connecting railroads know how to structure efficient interline operations that avoid unnecessary processing at or near the point of interchange. As I explain below, run-through interline trains are common and consume no more time "interchanging" than a single-line train would take to change crews, perform needed refueling, and continue on their way. This is well understood for bulk unit train operations, and it is not surprising that Applicants do not appear to make any claims about how their proposed merger will benefit such operations, because it will not. The same is also true for run-through intermodal trains, run-through manifest trains, and for the deep blocking of manifest carload traffic.

19. As I also explain below, the Mid-Continent gateways that are at issue in this particular merger case make it especially clear that a merger of UP and NS will not be a "single-line service" magic wand that automatically makes service better than it could be without a merger. Unlike in CP/KCS, the East-West traffic volumes across the key UP-NS gateways—Chicago, Kansas City, St. Louis, Memphis, Meridian/Shreveport, and New Orleans—are already dense enough to support efficient interline service. In fact, as I explain further below, the processing of railcars at yards and intermodal terminals that takes place at or near these gateways, especially Chicago, Kansas City and St. Louis, is a feature rather than a bug in America's interconnected rail network. Those gateways support the efficient movement of

railcars from one railroad to another as well as the distribution of those cars across multiple connecting railroads as well as local industrial customers, supporting competition among railroads to meet the needs of rail customers.

A. "Single-Line" Through Train Operations Are Not Materially Different from Run-Through Train Services Offered by Independent Railroads

20. The need for an "interchange" between rail carriers is not inherently a burden on efficient interline rail services. One easy way to see why is to understand how run-through trains work, and how common they are across the U.S. rail network.

21. The classic case—the unit train—helps to illustrate the point. Unit trains involve full-trainload quantities of railcars that are loaded at an origin and move together in a train (i.e., as a "unit") all the way from an origin to a destination. When the railcars are emptied at a destination—such as a coal-fired generating plant or a grain terminal at a port facility—the railcars are often returned to the origin in another unit train of empties for reloading. Unit trains are obviously quite efficient, since very little processing is needed over the course of their cycles between origins and destinations and back. What makes unit trains viable operationally is the density of volumes moving from a single origin to a single destination, so that once in a train, the individual railcars do not need to be split apart from that train and reclassified en route: all of them can move together on one train.

22. This brings me to my point about interchanges. Unit trains are routinely interchanged between railroads, often with run-through locomotive power and run-through end-of-train devices, and the act of interchange incurs no service penalty as compared to the handling of a unit train at a single-line railroad's intermediate terminal. For example, at Kansas City CPKC receives loaded unit trains of grain and coal from connecting railroads (UP and BNSF), and CPKC also handles numerous unit trains that it originates at shipper facilities along its own

lines north of Kansas City on the legacy-CP network and east of Kansas City on the legacy-KCS network. There is no material difference among these scenarios—i.e., interline vs. single-line movements of unit trains at Kansas City. All of them change crews at Kansas City, and all of them run through the Kansas City terminal without dwell related to work events. To the extent there are delays in these trains' forward progress, delays occur as a result of queuing of loaded trains moving to receivers or blocks of empty railcars returning for their next loads, and those kinds of delays affect interline and single-line trains alike.

23. CPKC interchanges unit trains with multiple other railroads at multiple gateways, and none of them require the kind of interchange delays that Applicants misleadingly assert are inherent in today's interconnected rail network. CPKC hands off loaded grain trains to UP at Beaumont for delivery to Houston. We hand off loaded ethanol and frac sand trains to NS and CSXT at Chicago. We hand off loaded grain trains to UP at New Orleans for delivery to receivers reached by UP's lines. As with trains traversing Kansas City, to the extent there is dwell along the routes of these trains, sometimes at gateway cities, it is typically because the trains are being staged en route to destination or empty cars are being staged en route back to origin points. The same staging would occur on a single-line railroad.

24. The same principle illustrated by the unit train example applies equally to the interchange of trains that do not move as a single "unit" all the way from origin to destination but nonetheless "run-through" as a full train when they are handed off by one railroad to another. The delay, or dwell, associated with interchanging a run-through train is not (or need not be) meaningfully greater than the time it takes for one railroad to move a train through one of its major terminal areas.

25. ***The Meridian Speedway***. CPKC's participation in the movement of transcontinental intermodal traffic between Southern California and the U.S. Southeast provides an excellent example. UP originates domestic intermodal traffic in Southern California that it hands off to CPKC in Shreveport, LA. Those UP trains may pick up and drop traffic along the way from Los Angeles to Shreveport, and all of that work would affect their overall transit times and reliability. But when the trains get to Shreveport, they are interchanged seamlessly to CPKC: CPKC moves them intact via the Meridian Speedway (in haulage service on behalf of NS) to Meridian, MS, where CPKC again hands them off (another seamless operational interchange) to NS for movement east to Atlanta and other points. Shreveport and Meridian both are interchange points, but these trains *do not* spend 24-48 hours of dwell at those locations. To the contrary, they run through with only minutes of delay occasioned by the need for CPKC's crews to step on in Shreveport and UP's crews to step off, and then for NS's crews to step on in Meridian and CPKC's crews to step off. The locomotives stay on the train; crews are called in advance of the train's arrival; and the outbound crews step onto the train so the inbound crew can step off. The process takes *minutes* at each interchange point, not days. And in any case, what Applicants do not mention is that even in single-line service, there would still be the need for crews to step on and step off.

26. These three railroads are able to support seamless and efficient handoffs in part because their interests are strongly aligned. CPKC is no less motivated than UP and NS to provide the truck-like levels of service that this transcontinental intermodal service is designed to offer customers. UP and NS have both publicly bragged about how this route provides them

with by far the best and fastest service between California and the Southeastern United States.[4] And CPKC benefits, like KCS before it, from the haulage revenue that traffic provides.

27. The reason the Meridian Speedway joint venture ("MSLLC") is structured as a formal joint venture is because KCS lacked the resources in 2005-2006 to invest in the Speedway without NS's support, and NS wanted an ownership stake in the revenues that were anticipated from the capacity investments it was supporting. With or without that formal structure, however, CPKC would be motivated to support the same level of service performance in order to maintain and grow transcontinental traffic via this route.

28. In late 2025 and early 2026, perhaps in anticipation of making their case in support of a merger of UP and NS, both UP and NS complained bitterly about the service performance of these Los Angeles-Atlanta run-through intermodal trains. They argued that CPKC's service failings had prevented UP and NS from growing their transcontinental traffic via this route. As CPKC showed in response, however, UP's and NS's complaints were wrong. Those arguments likely were advanced for strategic purposes to support Applicants' positions in this merger case.

29. It turned out that what UP and NS were really complaining about was their own decision-making, which really calls into question the two railroads' abilities to work together cooperatively on their proposed merger. CPKC was, as it had always done, delivering excellent over-the-road transit times between Shreveport and Meridian and also doing the other work (like arranging for crew availability) to support prompt hand-offs between UP and CPKC at

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[4] Norfolk Southern Corp., Q3 Earnings Call, Transcript (Oct. 23, 2025) at 11 (remarks of Ed Elkins); Norfolk Southern, Current Report (Form 8-K) Ex. 99.6, at 14 (2007); Press Release, Union Pacific, Union Pacific and Norfolk Southern To Offer Fastest Service Between Southern California and Southeast (Apr. 30, 2007), https://www.uprr.com/newsinfo/releases/service/2007/0430_uprr_ns.shtml.

Shreveport and between CPKC and NS at Meridian.[5] In reality, UP was complaining about modest train delays at Shreveport that had resulted *from UP's own decision* to run trains that UP had to spend time shortening when they arrived at Shreveport. These were not interchange-related delays, but work that UP should have performed elsewhere or avoided altogether by building trains that did not need to be shortened in UP's yard at Shreveport.[6]

30. When CPKC looked into UP's and NS's assertions, we also found that UP was causing further delays to these trains by failing to inspect them for open container doors, which was a major safety hazard that CPKC was encountering regularly with these incoming UP trains. When we pointed this out (and declined to accept trains that had not been inspected), UP brought in a contractor to conduct these inspections, because apparently UP, despite its size and scale, lacked sufficient on-the-ground personnel to do this basic work itself.

31. I understand that UP more recently has reasserted its view that the eastbound UP intermodal trains described above are delayed for a few hours at Shreveport while claiming that single-line service would be preferable.[7] But UP still has its facts wrong. When UP's trains spend hours in Shreveport, it is not because of the interchange process, but because of other work

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[5] *See CP/KCS General Oversight*, Finance Docket No. 36500 (Sub-No. 6), CPKC Reply to UP and NS Correspondence Regarding Meridian Speedway (CPKC-48) (filed Nov. 13, 2025) (Exhibit 1 hereto); *CP/KCS General Oversight,* CPKC Letter Reply to UP Letter (CPKC-56) (filed Feb. 10, 2026) (Exhibit 2 hereto).

[6] UP's underlying gripe about the 8,500-foot train length limit on the Speedway failed to appreciate the genesis of this limit. When KCS and NS invested in the Speedway in 2007-2008, it was rebuilt to an 8,500-foot train standard. Sidings are not long enough to support longer trains without those trains causing unreasonable operational disruption, as we explained to UP in 2025. The 300-mile Speedway has only three longer sidings and they are too far apart to support efficient meeting of longer trains, and in any event they are needed to support local train operations serving local on-line shippers. Local service would suffer if these sidings needed to be kept available for over-length UP-NS haulage trains.

[7] *See* Applicants' Response Regarding Their Prima Facie Case (UP-94/NS-93) (filed Aug. 26, 2026) at 33-34.

that UP chooses to perform at Shreveport—specifically, shortening over-length trains to come under the uniformly applicable train-length limit on the Meridian Speedway and inspecting and rectifying open doors on containers on UP's inbound trains, which is a serious safety hazard.

32. Similarly, at Meridian when CPKC hands off to NS (or vice versa), we found that any delays were not the result of the interchange process but other factors, like congestion on NS's lines east of Meridian (so trains would have to wait in Meridian for clearance to head toward Birmingham and Atlanta) and also the need to weave two daily New Orleans-Atlanta Amtrak trains across this terminal. The same delays would exist even if NS or UP or CPKC controlled the entire route between the West Coast and Atlanta; trains would still need to change crews and compete for capacity on NS's crowded mainline route.

33. Even if the brief time required for all of this work were properly assigned to "interchange" dwell at Shreveport or Meridian, it would add up to only a few hours total. Yet UP falsely claims that its acquisition of NS will allow it to move some of the traffic on these same trains on transcontinental schedules that are much faster than is supported by actual experience today. I am not permitted to review the Highly Confidential workpapers underlying Applicants' Operating Plan, but in general my sense is that Applicants' Operating Plan reflects gamesmanship, such as by rerouting traffic via different gateways and accelerating the speeds their trains move over the separate UP and NS networks to make the post-merger outcomes look better for reasons having nothing to do with the merger. But two things are clear. First, neither such step would require a merger to accomplish. And, second, Applicants' implication that the interchanges associated with a Shreveport-Meridian routing via the Meridian Speedway are somehow inefficient because it is not a single-line route is contradicted by their own plans: Applicants themselves say they will save 70-95 hours by routing other intermodal traffic onto the

same Meridian Speedway routing: "[B]y routing traffic via Shreveport and Meridian rather than via Memphis, UP-NS will save approximately 70 hours of transit time on traffic moving from Southern and Northern California to the Southeast, including Georgia, Florida, and North Carolina, and approximately 95 hours on traffic moving in the opposite direction."[8]

34. NS also complained that traffic levels had been negatively impacted by CPKC service. Since CPKC service was consistently good, that was obviously incorrect. CPKC does not know the reasons why UP and NS have failed to capitalize on their best-in-class transcontinental route via the Meridian Speedway. It appears, however, that the volume challenges they were complaining about in 2025 had much to do with external factors like truck rates, UP's decision to reroute certain traffic off of the Speedway and via a longer and slower route via Memphis, and perhaps UP and NS's own pricing strategies. CPKC has done everything it can to support the efficiency of this route. A merged UP-NS, or even a merged UP-CPKC-NS, could not do any better.

35. It bears mentioning that there is no obstacle whatsoever to UP and NS expanding their service via the Meridian Speedway. Additional train slots are available to NS today to grow its traffic volumes on the Speedway.[9] If UP and NS believe that the siding configuration on the line handicaps the efficiency of their train design, CPKC has made it clear that we are willing to negotiate terms that would enable UP and NS to invest in longer sidings, if they believe that such investments would be a worthy use of their capital dollars. So far they have not

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[8] *See* Rev. App. at 2-614 (Gehringer/Orr V.S. ¶ 7); *id.* at 2-868 (Turner V.S. ¶ 36).

[9] When the Meridian Speedway venture was formed, KCS committed that after the capacity investments contemplated by the venture, NS would be entitled to 13 slots for trains of up to 8,500 feet. Today, NS is using no more than six of these slots, leaving seven available to accommodate NS growth.

been interested in doing that. NS and UP do not need to merge to support longer trains on the Meridian Speedway.

36. ***CPKC-CSXT SMX Service***. Another example of efficient run-through train services where traffic density supports handing off a complete train from one railroad to another involves the "SMX Express" service that CPKC and CSXT interchange at Myrtlewood, Alabama, carrying intermodal traffic between Mexico and the Southeastern United States. CPKC originates the train at its Wylie Intermodal Terminal near Dallas, TX and picks up intermodal traffic from Mexico at Bossier City, LA (near Shreveport) before operating via the Speedway and Meridian to the interchange with CSXT at Myrtlewood, Alabama, where CPKC hands the train off to CSXT for movement to Atlanta and other points in the Southeast. Like the UP-CPKC-NS intermodal trains I described above, the interchange is conducted in minutes by a step-on/step-off crew change. The process works similarly in reverse for westbound trains built by CSXT. Again, there is no interchange-related dwell. Even in a hypothetical world where the railroads on both sides of Myrtlewood were commonly controlled, they would still have to build the trains and change crews somewhere.

37. There are countless other examples of independent railroads setting up efficient run-through train services where the volume of traffic moving across an interchange supports train-level services. The practice is not at all limited to intermodal or expedited train services. UP-CNW run-through manifest trains across the Omaha/Council Bluffs gateway and SP-UP services across the Ogden gateway are well-known historical examples.

38. Even today, CPKC and UP participate in very efficient run-through services. One illustration involves rail traffic interchanged between CPKC and UP at the U.S.-Canadian border at Kingsgate, British Columbia/Eastport, Idaho, where UP and CPKC exchange approximately

[redacted] manifest and bulk trains per day.[10] These trains are handed off seamlessly in both directions through ongoing and collaborative communications between the two railroads' dispatching centers. There is no re-classification of traffic or other work that consumes anywhere near the 24-48 hours that Applicants are claiming publicly will be eliminated just because they convert interline movements to single-line UP-NS services.

39. The cooperation between UP and CPKC over Eastport/Kingsgate is not limited to running complete trains through a gateway. CPKC has made accommodations to the design of the trains it delivers to UP, so that UP can move them seamlessly to their destinations. For example, to accommodate UP's desired minimum train lengths while also meeting UP's horsepower per-ton requirements across its territory west of the gateway, CPKC delivers the train with an extra locomotive. Were CPKC focused only on getting the train to the gateway, we would attach fewer locomotives or run a longer train to optimize locomotive utilization on our own railroad. But, like other connecting railroads, we know that what is important is making the operation work to meet customer needs and handle the traffic, so we make investments like this to achieve that goal.

40. One other example that CPKC is familiar with is the interline automotive train service between the United States and Mexico that CPKC supports in conjunction with BNSF. CPKC delivers trains of loaded autoracks to BNSF at Robstown, TX as CPKC Train 787; CPKC's crews step off the train and BNSF's crews step on; and the train continues on its way seamlessly and expeditiously as BNSF Train VROBSAG destined for Saginaw, TX. The same process is repeated in reverse when BNSF delivers trains of empty autoracks to CPKC at

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[10] *See* Workpaper, "Eastport Arrivals and Departures.xlsx."

Robstown for movement into Mexico for distribution to auto manufacturing plants there for loading.

41. The interchange between KCS and CN at Jackson, MS is a further example of railroads working together to make interline transportation work efficiently. I helped negotiate an arrangement whereby CN would build a full train for KCS at its Memphis yard and deliver that train to us at Jackson, and in return KCS would build a full train for CN at our Shreveport yard and deliver that train to CN at Jackson.

42. One limitation sometimes imposed by the independence of two connecting railroads is where crew changes take place. Typically crews of one railroad may not operate over the track of another, absent a grant of trackage rights. As a result, a merger of two railroads might theoretically be able to shift a crew change point in one direction or another to optimize crew districts, but this is at best a very modest adjustment in the overall scheme of railroad operations. And it is especially unlikely to be significant with respect to "single-line" operations that span major gateways and terminal areas.

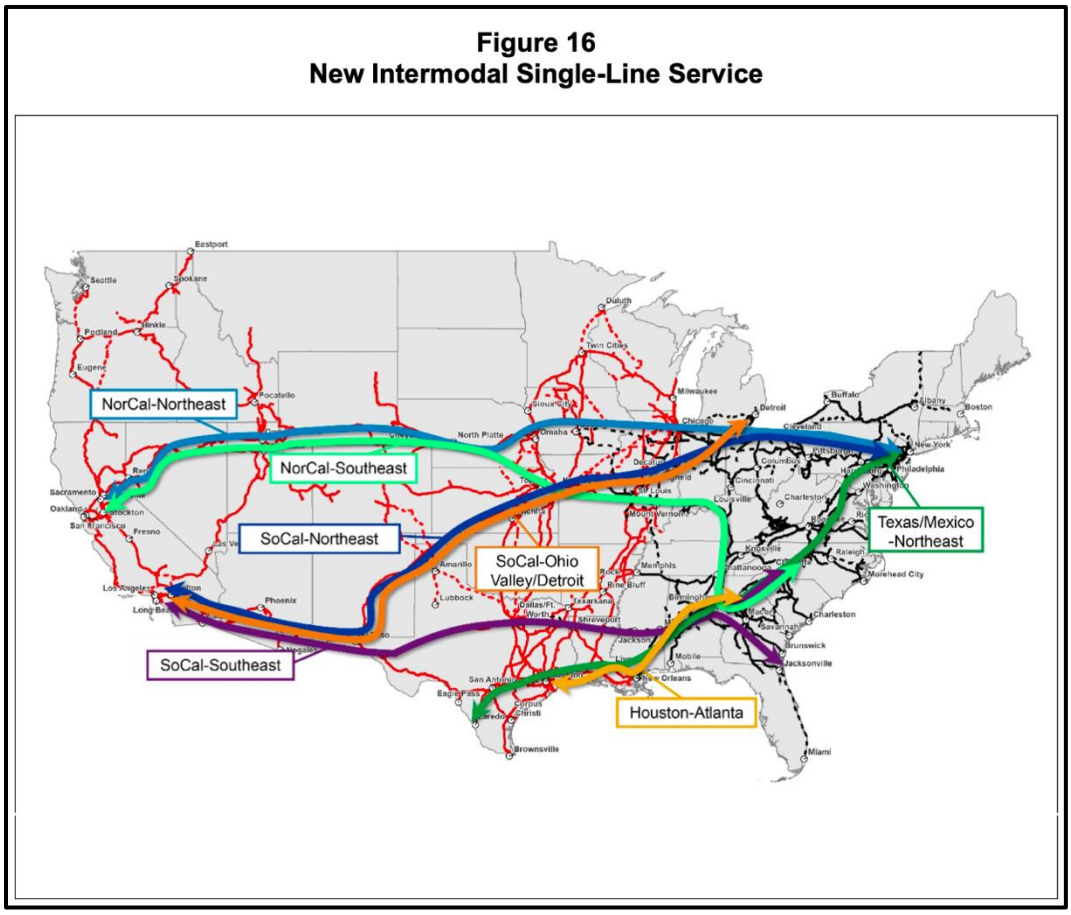
43. Nonetheless, even on this issue railroads have many ways of working together to improve their interline coordination by adjusting the location where crew changes occur. For example, before CP and KCS combined in 2023, [redacted]

B. The Kinds of Long-Haul Transcon Intermodal Services Applicants Tout Are Exactly the Kinds of Services that Independent Connecting Railroads Can and Do Establish Without a Merger

44. A principal focus of Applicants' claims about the benefits of their merger is the new long-haul intermodal services that they say will shift millions of truck movements from trucks to rail. Applicants have pointed to numerous new "run-through" intermodal trains that they plan to operate across the country between the legacy-UP network and the legacy-NS network. Figure 16 in the Verified Statement of Kenny Rocker and Ed Elkins is a good illustration of what Applicants plan, and is reproduced below as Figure 1.[11]

[11] Rev. App. at 1-310 (Rocker/Elkins V.S. at 36).

FIGURE 1
ROCKER/ELKINS FIGURE 16



45. As shown by CPKC's experience with handoffs at Shreveport and Meridian for the existing UP-NS transcontinental service via the Meridian Speedway, however, there is nothing stopping UP and NS from starting up these trains today. Indeed, the purple line on this diagram represents the Southern California-Atlanta/Charlotte/Jacksonville service that already runs via the route shown (via the Meridian Speedway) and relies on two interline handoffs at Shreveport and Meridian. The other train services depicted on this map would entail run-through interchanges at only three locations: Chicago, Kansas City, and New Orleans. If Applicants truly believe these services are capable of attracting millions of truck shipments and generating billions of dollars of new freight revenue for UP and NS, there is no sensible operational reason

why UP and NS could not institute run-through interline trains on these routes today without a merger.

46. In at least some of these cases, the same trains Applicants propose to start up are ones that UP and NS used to operate at least in part but discontinued, perhaps because of a lack of density supporting the operation. For example, UP and NS operated run-through intermodal service via Kansas City until early 2019, when it was cancelled as part of an initiative between the two railroads to "rationalize[] small volume lanes to reduce train complexity."[12] In 2025, the Kansas City routings sprang back into existence when UP and NS jointly announced connecting services between multiple terminals throughout the West and NS's Louisville intermodal facility via the Kansas City gateway (essentially matching much of the green line in Figure 1 above).

47. As to some of these proposed services, Applicants appear to suggest that the reason they need a merger is because routing new trains the way they plan would require investment on NS's network (east of Kansas City or between New Orleans and Atlanta), but as I explain below railroads routinely make investments to support profitable interline traffic flows.

48. The fact that UP and NS are not running more of these claimed new run-through trains today is a strong indication that they believe that the traffic density would not be there to support these services. The Application and its Operating Plan are really just a "story" of what could be possible with or without a merger if one imagined attracting millions of new intermodal loads off the highways and onto new long-haul rail services. CPKC's experience shows that growing traffic is not entirely a fairy tale, but it takes hard work, and where density would support services—like the East-West lanes Applicants claim to address—a merger is not needed

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[12] Press Release, Union Pacific, Interline Service Changes to Eastbound Intermodal Traffic Handled by UP and NS (May 31, 2019), https://www.up.com/customers/announcements/intermodal/allintermodal/IM2019-70.html.

to stand up truck-competitive services like the SMX or the UP-CPKC-NS Los Angeles-Southeast services discussed above.

C. The Reductions in Touchpoints Through Deeper Blocking that Applicants Tout Are Routine *Without a Merger* When Density Is Present

49. Applicants also claim that their merger will unlock the ability to build blocks of manifest (and also intermodal) traffic that move farther between work events (i.e., "touchpoints"), thereby reducing costs, improving reliability, and speeding up transit times between origin and destination.[13]

50. There is no doubt that optimizing the flow of traffic to reduce unnecessary work events is a core precept of modern railroad network design. But in the context of dense East-West transcontinental traffic flows, a merger is not needed to support this kind of optimization. Connecting railroads have long worked together to build long-haul blocks for one another that bypass unnecessary intermediate processing, even when the trains carrying those blocks do not continue intact across interchange gateways. For example, for traffic moving between the CPKC network and the eastern carriers via Chicago, CPKC's St. Paul Yard builds blocks for two NS yards beyond Chicago: [redacted][14] This means that neither CPKC nor NS needs to process these cars at the interchange point in Chicago. When CPKC's St. Paul-to-Chicago manifest train arrives at CPKC's Bensenville Yard in Chicago, CPKC moves these blocks across town to NS's Calumet Yard, where they connect to outbound NS manifest trains. NS reciprocates building Bensenville and St. Paul blocks at its Elkhart Yard.

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13 *See* Rev. App. at 2-629 to 2-638, 2-857 to 2-862.

14 Until late September 2026, CPKC built a Chattanooga, TN block for NS at St. Paul instead of a Conway block, but CPKC adjusted its blocking plan at NS's request.

51. Were CPKC and NS one railroad instead of two, those same blocks would still need to be built in St. Paul, and at Chicago the blocks would still have to make their way to outbound trains destined for points beyond Chicago, and that would almost certainly occur via the same path between CPKC's Bensenville Yard and NS's Calumet Yard that CPKC-NS interchange follows today. The fact that Chicago is an interchange point in addition to being the location of major yard operations does not meaningfully add to the inherent time needed to process cars through the terminal.

52. During my long railroading career, I have seen countless other examples of long-haul deep blocking between interline carriers, including UP building blocks for NS and CSXT, NS building blocks for UP and BNSF.

53. I expect that the network optimization process that UP and NS both undertook as part of their adoption of Precision Scheduled Railroading—what UP called "Unified Plan 2020" and what NS called "TOP21"—led both railroads to focus more on their own networks and to downplay interline connectivity over which they had less complete control. But history, experience and common sense show that in the dense East-West lanes that are most affected by the proposed UP-NS merger, there are abundant opportunities for UP and NS to work together to avoid unnecessary intermediate reclassifications of railcars without needing to merge. The same is true of optimizations between UP and CSXT and between NS and BNSF. If UP and NS were allowed to merge, the UP-NS optimizations would no doubt take precedence over any efforts to hone the UP-CSXT or BNSF-NS routing options: UP's facilities will only have so much capacity to support deep blocking and other measures that improve network flows, and a focus on optimizing flows between legacy UP and legacy NS networks will take resources away from connections with other networks. The long run likely would be a downward spiral that leads to

less density moving via these other connections, which in turn would spur further degradation in the level of service offered for that traffic, and so on.

D. Processing of Railcars at or Near Major Terminals and Gateways Can Be Highly Efficient and Support a Competitive Interconnected Rail Network

54. As I noted above, properly understood, processing of railcars at or near the Mid-Continent gateways is a feature and not a bug of the interconnected U.S. rail network. It is no coincidence that interchanges via those gateways do not involve lonely interchange tracks in the middle of a cornfield somewhere, but occur in the middle of some of the most important industrial centers in America's heartland. Those gateways are not simply locations where UP and NS connect with one another, but where each of them connects with multiple other railroads, often including numerous smaller railroads serving clusters of important customer facilities.

55. As a result, it should not be surprising that each of these gateways has major railroad facilities that are designed—as a feature of the rail network rather than a disadvantage—to support the rail network by carrying out functions that extend far beyond just passing-through UP railcars directly to NS rails and vice versa. Just as highly dense flows of traffic can bypass processing at the major gateways, less dense flows benefit from intermediate processing taking place at network nodes where connections can be made most efficiently and individual carloads can be consolidated into blocks for their next movement (whether on the same railroad that brought the traffic or on a different one via interchange).

56. In the manifest carload space, there is no better illustration than Chicago. UP, NS, BNSF, CPKC, and CN all operate major yards within the Chicago terminal. Those facilities exist not to add unnecessary friction but because Chicago is the sensible place for the work of those facilities to be carried out.

57. I will illustrate using CPKC's Bensenville Yard as an example. Because of its location in the Chicago Terminal, Bensenville acts as an efficient manifest hub for CPKC's network. It supports daily local train connections to NS, UP, Indiana Harbor Belt ("IHB"), and Belt Railway of Chicago ("BRC"). BRC acts as an intermediate party for CPKC's connections at Chicago with CSXT, BNSF, CN, and smaller Chicago-area carriers. Most of the manifest traffic arriving at Bensenville Yard is blocked by connecting railroad at CPKC's St. Paul Yard and Bensenville amalgamates that traffic for delivery to each of those connections. In addition, CPKC also receives an average of about 100 railcars from local customers that CPKC switches in the Chicago Terminal.[15]

58. Based on my experience with Chicago-area operations, almost all Class Is have or until recently had facilities in or near Chicago that perform similar functions. UP's Proviso Yard, NS's Calumet Yard, CN's Kirk Yard, and until recently CSXT's Barr Yard all played roles similar to Bensenville. The processing that these facilities perform is not a "cost" of the interchange network, but an essential set of functions to sort manifest traffic so that it can move on the railroads and routes necessary to get it to its destination. Combining UP and NS will not make it any less important for UP to operate Proviso or NS to operate Calumet; those yards make sense because Chicago is an important hub for reasons far beyond connectivity between UP and NS.

59. Another key addition to my point about Chicago, and just as important, is that the dwell associated with the processing of railcars at or near Chicago is not a problem with "interchange" or "interline" rail solutions, but an advantage associated with having efficient

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[15] Workpaper, "Chicago Cars to and from Local Customers.xlsx."

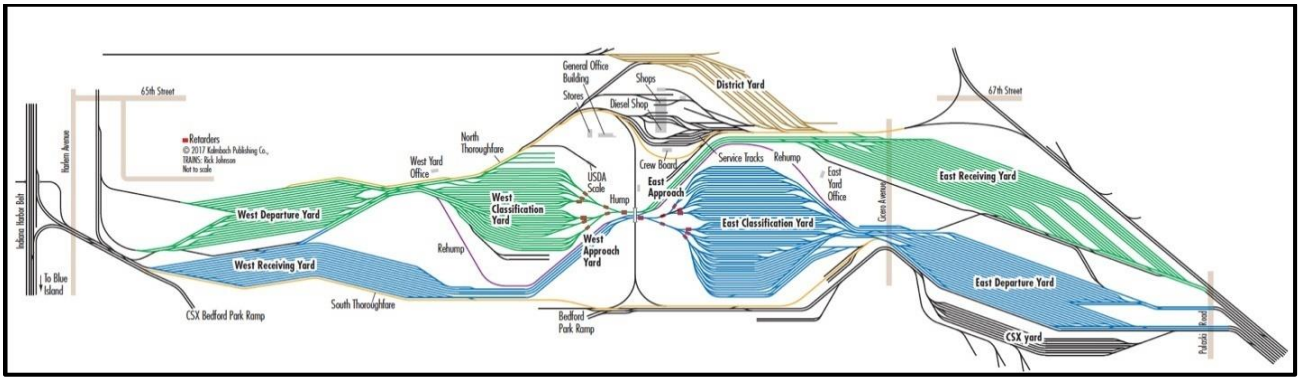
facilities located at or near the Mid-Continent gateways where so many railroads and rail customers come together, and where those facilities can more efficiently gather and distribute traffic while also supporting the needs of proximate rail customers.

60. Perhaps the premier "interchange" facility in the Chicago Terminal—BRC's Clearing Yard—proves the point. One could look at Clearing—as Applicants seem to—and see a source of 24-hour-plus delays in the movement of freight across the country. But that perception is just wrong. Clearing Yard is a vital and efficient facility that saves time and resources that would have to be devoted to the processing of railcars elsewhere (elsewhere in Chicago or in other facilities upstream or downstream from Chicago) if Clearing did not exist. Because Clearing Yard sits in the center of the Chicago Terminal and serves as a "clearinghouse" (the actual historical source of its name) for traffic moving through the terminal, it very efficiently consolidates traffic flows from multiple sources and distributes them optimally to multiple recipients without unnecessary fragmentation or duplication of effort.

61. Typically, BRC/Clearing Yard's issues (when there are delays) come from trains entering the wrong yard or at the wrong time as compared to the schedule. During heavy periods of traffic, there may be some delays, but this is not BRC's fault.

62. Clearing Yard has two parallel humps that process 3,000 or more carloads of traffic per day. A diagram of Clearing is set forth in Figure 2 below.

Figure 2[16]
Diagram of BRC Clearing Yard



63. Clearing receives a total of about 25 or more daily inbound trains, which deliver cars into the West Receiving Yard (the blue yard on the left of the diagram) or the East Receiving Yard (the green yard on the right of the diagram). Those railcars are then processed over one or the other of the directional humps in the middle of the yard, descending down the slope of the hump into one of the 90 classification tracks (green tracks on the left, in the West Classification Yard; blue tracks on the right in the East Classification Yard), that assemble approximately 50 daily blocks for distribution back to rail carriers. In the process, Clearing consolidates smaller flows into denser ones that support efficient downstream movement across the network to the East, to the West, or to shortlines and customer facilities in the Chicago area.

64. Specifically, Clearing Yard builds five daily blocks for four smaller railroads in the Chicago area (*i.e.*, Wisconsin Southern (WSOR); Chicago, South Shore & South Bend (CSSSB); Chicago Rail Link (CRL), and Indiana Harbor Belt (IHB)) by consolidating small numbers of inbound cars from multiple Class Is serving Chicago (separate from any blocks Clearing Yard builds for itself to serve local industry). Otherwise, each Class I would need to

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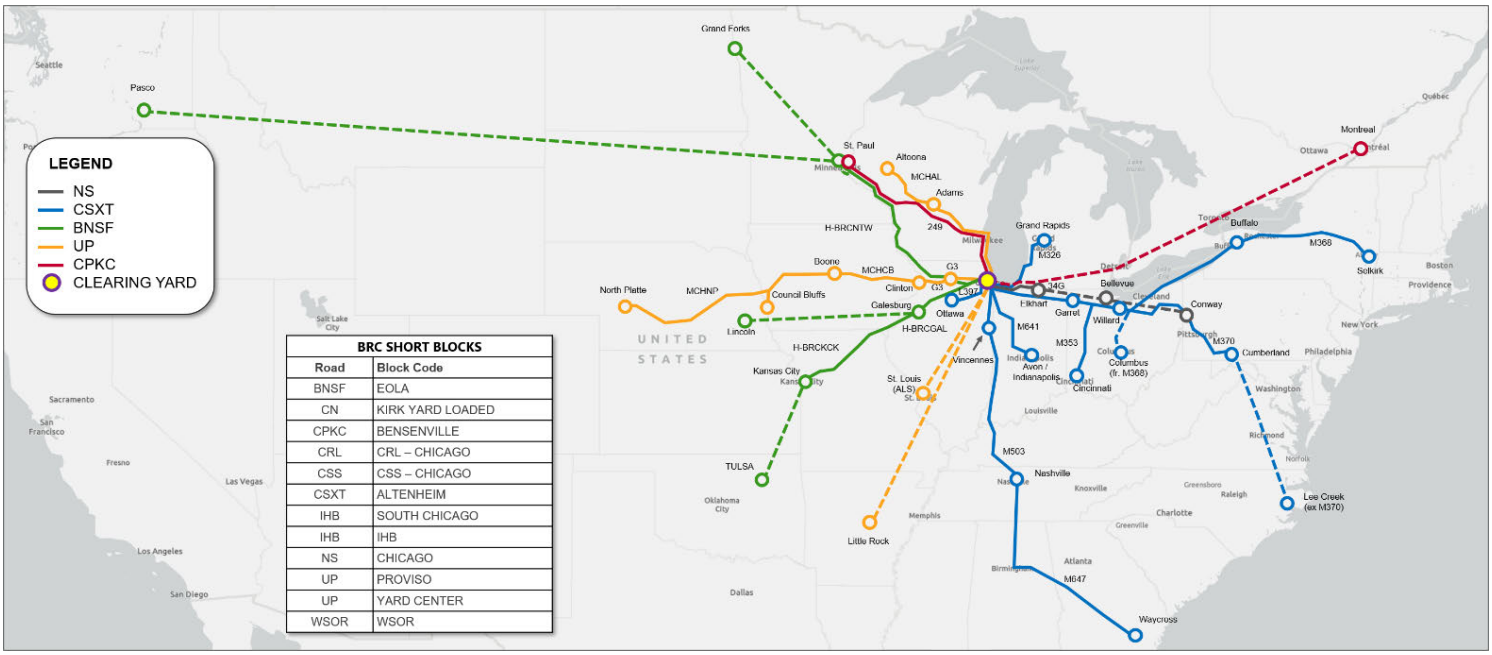
16 *See* Steve Sweeney, *Clearing Yard in Chicago as of 2016*, Trains (Dec. 2, 2021), https://www.trains.com/trn/train-basics/abcs-of-railroading/clearing-yard-in-chicago-as-of-2016/.

find a way to get cars destined for these railroads across the terminal for separate handoffs to each of the smaller railroads.

65. The same principle also applies to Class I-to-Class I interchanges. Clearing builds 45 daily blocks for the Class I railroads serving Chicago that, because of Clearing's consolidation function, often allow long-haul movements out of Chicago that avoid unnecessary processing at facilities nearby. Figure 3 below maps the blocks that Clearing Yard built during September/October 2026 and the trains on which those blocks departed Clearing Yard.

FIGURE 3
TRAINS AND BLOCKS BUILT BY BRC'S CLEARING YARD[17]



66. If Clearing Yard did not exist, there would need to be many more trains operating through the dense Chicago terminal area, and much more classification work performed less efficiently at decentralized facilities scattered across the region.

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17 Workpaper, "BRC Figure 3 Final Workpaper.xlsx."

67. Not all Chicago interchange traffic relies on Clearing Yard. As noted above, CPKC's inbound manifest traffic flows are sufficiently dense to support building blocks at St. Paul for [redacted] And NS builds blocks for Bensenville and St. Paul. However, for flows that are less dense or for which the connecting carrier's facilities are at greater distances from Chicago (as is the case with CSXT today), CPKC delivers cars to Clearing Yard for consolidation with traffic from other railroads. Such consolidation of traffic from multiple sources supports Clearing building many more deep blocks that include traffic from CPKC and destined deep into the manifest networks of all of the Class Is.

68. To be sure, not all use of BRC's Clearing Yard by Class I railroads is efficient. Some carriers, especially UP, have misused Clearing Yard by using it frequently as an available overflow facility for the processing of railcars that by design ought to have been processed at their own facilities. In UP's case, when its own yards become overwhelmed, which occurs with some regularity, UP has routinely delivered railcars to Clearing Yard's West Receiving Yard, designed for processing via Clearing's East Classification bowl for movement to eastern carriers, that are instead destined for *other points on UP's network west of Chicago.* When that happens, cars must be processed over the hump and routed into the East Receiving Yard and then processed again over the hump into the West Classification yard *for movement back to UP*. This kind of operation is known as a "re-hump," and it unnecessarily consumes capacity and gums up Clearing Yard's processes.

69. BRC works hard to establish financial incentives aimed at discouraging this type of use of Clearing except where its "clearinghouse" function provides the most efficient path for moving railcars in the direction of their onward travel. But those charges do not prevent UP from misusing Clearing when it suits its interests. To illustrate the degree of the problem, from

January to March of 2026, CPKC paid zero "re-hump" charges at BRC. UP unfortunately is not getting the message. It had almost 8,000 billable re-humps in the same period. That is about 90 per day.

70. Contrary to the premise of Applicants' merger case and their claims about the benefits of eliminating interchanges, the classification functions at Chicago and other Mid-Continent gateways are not and should not be viewed as a drag on the efficient movement of railcars across the network. Instead, they expedite that movement while also supporting the optionality associated with North America's interconnected rail network that (as structured today) gives shippers options for how to move traffic between their points of origin or destination and major gateways like Chicago.

71. In other words, the 19-20 hours that rail traffic typically spends being processed at Clearing Yard and other terminal-area processing facilities actually expedites the movement of that traffic across the rail network by supporting the consolidation of traffic from multiple carriers destined for a given destination region and railroad. If Clearing Yard and others like it did not exist to perform this work, the sorting of cars would have to move upstream to other facilities, where it would consume capacity less efficiently and consume a greater amount of time and expense.

72. The take-away for purposes of the UP-NS merger proposal is that Applicants' claims that they will eliminate days of dwell at places like Chicago by converting UP-NS movements to single-line service are both not credible and at the same time a major source of concern that their real intention is to discontinue or downgrade the extent to which they support the continued efficient interchange of traffic moving between their own post-merger network and other carriers at these gateways.

73. Chicago is not unique in this regard. For similar reasons, it makes perfect sense that each of the major gateways is home to multiple significant rail yards. They support not just the movement of traffic through those gateways but the processing of traffic to and from local shipper facilities at these major industrial hubs as well as the consolidation and distribution of railcars between multiple inbound railroads and multiple outbound railroads. The role played by TRRA in St. Louis, supported by multiple yards operated by independent carriers (CPKC, UP, NS, and CSXT) is illustrative, as is New Orleans where CPKC, CN, UP, BNSF, and CSXT all have facilities supporting the interchange of traffic among multiple connecting carriers and the New Orleans Public Belt connecting with the port and multiple shipper facilities.

74. Put another way, at any major terminal node on any Class I railroad's network, no matter how far away from a Mid-Continent gateway, railroads operate large yards to process railcars moving across their network and to/from shipper facilities and shortlines in the vicinity of those terminals. Whether Shreveport on the CPKC network, Houston on the UP network, Minneapolis on the BNSF network, Pittsburgh on the NS network, or Cincinnati on CSXT's network, manifest trains are broken up and reclassified, blocks are swapped, and as a result railcars experience dwell. No amount of PSR-based network design can avoid the need for processing and the associated time it takes to perform that work.

75. Indeed, many of these yards remain and continue to conduct major railcar processing functions at locations that used to be major interchange gateways. Just because the "interchange" went away as a result of past mergers, the processing did not. Cincinnati's Queensgate Yard, where B&O and C&O connected with the Louisville & Nashville Railroad prior to the merger that created CSXT is one example. Similarly, Applicants acknowledge that

UP's Alton & Southern Gateway Yard in East St. Louis will not stop processing railcars there if UP and NS were allowed to combine.

76. Once this is understood, it is easier to see the fallacy in Applicants' core hypothesis about their merger: that merging will magically eliminate massive amounts of unnecessary delay. In the context of the dense East-West flows that this proposed merger will affect, the processing that must occur to move traffic from origins and to destinations across the continent has to be performed somewhere, unless Applicants plan to disengage from handling or prioritizing the traffic that is not moving within a closed-loop UP-NS environment—a strategy that would harm the entire U.S. rail network.

77. ***The same principles apply equally to the intermodal domain***. Thus far, I have focused on manifest traffic, but Applicants make the same errors when they describe the problems associated with "interchanging" intermodal traffic at major Mid-Continent gateways.

78. I have already explained how, for intermodal flows that support train load handoffs between carriers, modern Class I railroads have mastered the art of run-through trains and run-through blocks (via steel wheel interchange), and no merger is needed to accomplish this goal. Assuming there is train- or block-level traffic density, a UP-NS interline intermodal train between Northern California and New York (like the blue line on Figure 1) does not need to be broken up and "rubber-tired" across Chicago any more than UP needs to break up that train at places like Salt Lake City or Omaha, or NS needs to do so at Toledo or Harrisburg. The UP-CPKC-NS service between Los Angeles and the Southeast via Shreveport and Meridian proves that.

79. For traffic moving in origin-destination lanes that are less dense, the fact that the Mid-Continent gateways involve the transfer of shipments from one railroad to another,

sometimes by rail and sometimes by short-haul drays, is an advantage rather than a disadvantage. The clustering of intermodal terminals at or near the major gateways supports the gathering of efficient volumes of traffic and supports the efficient interchange of intermodal containers and trailers.

80. Intermodal terminals are located at the Mid-Continent gateways in large part because those gateways are major centers of transportation demand. More than a quarter of the U.S. population is located within a day's truck drive of Chicago, for example, while the Chicagoland region is itself a massive local market for goods.[18] These core demand factors, coupled with the ability to connect to multiple railroads across these gateways, support the intermodal train network in the East and West that fans out from those gateways in both directions. If major intermodal network nodes like Chicago did not exist, there would be fewer intermodal lane pairs that supported service at all.

81. Applicants claim that the current situation is bad because (at least at Chicago and Memphis) intermodal containers are frequently moved between different railroads' intermodal terminals by highway (*i.e.*, "rubber-tired" from one terminal to another) rather than staying on railcars for a "steel-wheel" transfer between terminals. This practice, however, is not necessarily an inefficient feature of "interchange." Instead, when it is used, it can make sense for the railroads involved because of the low density of movements in specific lanes. A "rubber tire" connection means the containers on an individual railcar were not all going to the same destination, or that there were too few cars going to the same destination to justify a move by rail

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[18] These advantages are well recognized in the logistics arena. *See, e.g., Chicago Food Distribution: The Strategic Benefits of a Midwest Hub*, (Dec. 30, 2025), https://northpointfresh.com/guides/chicago-food-distribution/; Gavin Francis, *Cargo Pilots Meet in Chicago for Three-Day Summit*, ALPA (May 1, 2023), https://www.alpa.org/articles/2023/05/cargo-pilots-summit.

to a connecting outbound train service. Indeed, this condition is not always associated with interchange. For example, CSXT delivers to CPKC at the Myrtlewood gateway intermodal cars bound for Mexico that are loaded with containers moving to multiple different Mexican destinations. CPKC transports those cars to its Salinas Victoria terminal (near Monterrey), transfers containers destined to local markets to truck, and then reloads railcars with containers for Puerto Mexico (near Mexico City, deeper into Mexico). The Mexico City-bound containers are not rubber-tired but they are "reclassified" at Salinas Victoria, enabling both sets of moves to benefit from greater density.

82. The impetus for this kind of processing is not the movement from one railroad to another, but the need to make connections for which distribution by individual highway movements (or chassis within a terminal) is more efficient than building an entire train or block at a facility upstream that can move all the way to its ultimate destination by rail.

83. To illustrate, consider intermodal service between Mesquite, TX on UP's network in the West and Chambersburg, PA on CSXT's network in the East. Not surprisingly, there are not enough daily movements between these points to support a run-through train or run-through block. If there are a few containers making this move daily, conceivably the origin terminal could load those containers on one or more railcars that were destined for Chicago, IL, so that the railcars could be interchanged via rail. And this steel wheel interchange was in fact announced by UP in January of 2025.

84. CPKC does that today in Chicago for eastbound containers destined for NS's network, sending them daily to NS's Calumet Yard via "steel wheel" interchange. CPKC also delivers intermodal cars to CN in Jackson, MS via steel wheel interchange. But more generally the origin railroad would have to consider the implications of interchanging a handful of

intermodal railcars to another railroad for its origin terminal operations; should it set cars aside for those specific containers, which may arrive at different times in advance of train departure? That would have a cost. Similarly, at Chicago, the western railroad would need to collect a group of cars going across town to the eastern railroad's terminal and upon arrival those cars would need to be sorted onto individual outbound trains. All of that would have a cost, including the consumption of scarce terminal capacity. It may well make perfect sense (in terms of cost and service performance) instead to load containers onto a Chicago-bound train, ground them at the Chicago terminal, and then fan them out to receivers and other train connections via the highways.

85. Importantly, bringing the two terminals under common ownership is not going to change this calculus, because it will not magically generate the additional lane densities necessary to make a steel-wheel block-level connection viable. Think about it this way: if a steel-wheel block-level connection at Chicago were to enable a big enough service improvement to attract the volumes needed to support it, the railroads involved would have every incentive to establish that service today.

E. Connecting Railroads Do Make Investments to Support Profitable Interline Traffic Flows

86. One of Applicants' explanations for why they need a merger is that independent railroads lack the incentives or ability to make investments to support improvements to interline rail service. That argument is not credible.

87. First of all, to the extent the point is that uncertainty about the financial return on costly investments may deter railroads from investing to increase volumes or improve service, that concern applies to all railroad investments—not just those involving interline traffic. The

more speculative the returns, or the shorter the term of the anticipated traffic gains, the harder it will be to justify a major investment.

88. Second, in assessing the likely returns from an investment, no railroad regards a dollar earned from interline traffic as less valuable than a dollar earned from local traffic. What this means is that railroads can and do make large investments to support interline traffic, when they are sufficiently financially strong to support those investments. Examples abound across the rail network. Consider UP's 1990s-era investments to upgrade its mainline between Omaha and Chicago to support improved service for "transcontinental" rail traffic, all of which was interchanged in Chicago. Consider CSXT's massive investment to double track the legacy Baltimore & Ohio mainline across Indiana to support expanded volumes of traffic moving to/from the Chicago gateway. The list could continue.

89. CPKC's own more recent experience confirms railroads' incentives to make investments based on returns from interline traffic opportunities. In 2024, CPKC invested $50 million to acquire MNBR's Meridian-Myrtlewood line, while CSXT simultaneously reacquired its line between Myrtlewood and Montgomery, AL. CPKC and CSXT have already spent upwards of [redacted] million, with plans to spend more, all based on anticipated growth in intermodal and manifest traffic on the line, 100% of which would be interline traffic.

90. CPKC has also invested heavily to support interline traffic opportunities elsewhere on its network, including on its lines in Canada that feed traffic to UP's network in the Pacific Northwest via the Kingsgate/Eastport gateway. CPKC has invested in multiple sidings and siding extensions in that corridor over the past few years, none of which supports single-line traffic. Similarly, CPKC has added capacity to support the movement of ethanol, frac sand, and

other commodities from points on its U.S. network in the Upper Midwest to Eastern U.S. destinations, all of which depend on interline connections to eastern railroads.

91. Applicants contend that the post-merger investments they plan would not occur unless UP and NS could "align" their incentives by merging. To be sure, there may be times when different railroads perceive market opportunities differently. But the specific investments Applicants are planning here—like NS's proposed post-merger capacity expansions between Kansas City and Springfield, IL—are exactly the kinds of investments that railroads have long made to improve their own networks to support interline traffic opportunities. If UP and NS really stood to make billions on the new transcontinental intermodal traffic that would flow through Kansas City over the NS line between Kansas City and Springfield (which, by the way, is the same route already used by *joint-line intermodal service that UP and NS have launched* between Kansas City and Louisville), it would not be hard for them to justify spending the money.

92. If one of these railroads needed formal protections for investments it might choose to make or support on a connecting railroad, there are many models for obtaining those protections, ranging from trackage rights or haulage rights arrangements, such as UP negotiated with CNW in the early 1990s before it acquired control of that railroad; minority investment mechanisms, such as UP has with FXE in Mexico; and formal joint ventures, such as NS has negotiated with KCS (to form MSLLC) and Pan Am Railway (to form Pan Am Southern).

F. *CP/KCS* Enabled New Single-Line Services that CP and KCS Could Not Have Supported Absent a Merger Because of Insufficient Density

93. Finally, I would like to address a question the Board may have about the consistency of the points outlined above with the positions CPKC took advocating for approval of our own CP-KCS combination. To me, the answer is simple: before CP and KCS combined,

there was not enough density of traffic moving between them, or moving on the CP line north of Kansas City in conjunction with all carriers combined, to support the kinds of run-through and deep blocking that are possible between all of the Class Is connecting via the Mid-Continent gateways.

94. Those limitations did not magically go away because CP and KCS were commonly controlled post-merger. It was only because of the traffic gains CPKC was able to achieve by competing more effectively head-to-head against UP and BNSF, which already had networks that operated across the entire West on both sides of Kansas City, that it could support the kinds of meaningful operational changes that improved service and created competition in this corridor.

95. This proposed merger is completely different for the reasons I have explained. UP and NS already have everything they need to improve their services, and they do not need to merge to do so.

IV. The Traffic Changes Anticipated by Applicants from Their Merger Would Have Serious Adverse Operating Impacts on CPKC's Ability to Compete Using Shared Assets

96. The transcontinental rail network that UP wants to create by acquiring NS would not be isolated from the rest of the U.S. rail network. Along many vital rail corridors, and at many critical chokepoints across the network, other railroads would depend on fluid and efficient access to the rail lines and terminals where UP operates and, in many cases, exercises control. Applicants assert that the merger will dramatically increase the volume of traffic on many of those lines while simultaneously altering operating patterns significantly. Applicants recognize some need to invest in capacity on their own lines in certain areas to accommodate the

significant traffic shifts they forecast, but their plans fail to address the serious adverse impacts Applicants' plans would have on the operations of others.

97. UP-NS should be required to address the serious adverse impacts from their merger in the event the Board approves it. I want to be clear: I continue to believe that the Board should reject the UP-NS merger. Nonetheless, I understand CPKC has proposed some conditions targeted at reducing some of these operational risks. Although the proposed protections could mitigate particular operating risks, they would not replace the competition lost through the merger or resolve my broader concerns about it.

98. As part of this, CPKC has proposed a service assurance framework (the "SAF") in its Comments. If the Board approves the merger, I support requiring this framework to give conditions imposed by the Board to safeguard service assurance and competitive access a realistic chance of working in practice. The SAF appropriately calls for the appointment of an independent, Board-appointed monitor funded by UP-NS, who would be responsible for monitoring compliance and proactively addressing operating problems and disputes. CPKC's experience interacting with UP as a trackage rights tenant teaches that it will not be feasible to try to address future issues of UP-NS's compliance with Board conditions through the typical process of negotiation and escalation followed by potential litigation before the Board or an arbitrator. That kind of process would consume too much time and expense to assure that UP-NS's compliance is policed in real time. In my experience, attempts to resolve problems with UP are too often marked by slow responses, resistance to addressing the problem, obfuscation through the reference to irrelevant matters and hard-line negotiating positions that prolong disputes while operating difficulties continue.

99. For similar reasons, the Board should not rely on a joint service committee or similar mechanism to safeguard post-merger adherence to trackage rights and other conditions. In my experience sitting on joint committees with UP, UP takes advantage of the process requirements associated with such committees to drag out resolution of issues, leading to protracted, unproductive negotiations while service problems and congestion spiral. [redacted]

100. Nor should the Board be the first screen for every compliance problem. Requiring affected carriers and customers to bring every problem directly to the Board would risk overwhelming it. As a result, should the Board approve the merger (which we vehemently oppose), an independent monitor should be established. A monitor should be someone who has the experience and knowledge necessary to serve as a standing resource that understands the affected operations, reviews compliance and planned changes, and helps resolve problems promptly—before issues fester into harm to customers or render competitive access rights ineffective. UP-NS should provide regular reports and respond promptly to the monitor's requests for necessary records, data, and explanations, whether or not a dispute is pending. The

Board should impose strict timelines for all parties involved in the monitorship (including the monitor) to resolve compliance issues because (as I explained previously) even small service problems must be promptly resolved or they can compound and affect the entire network. The monitor should be accountable to the Board, which should retain ultimate authority and provide expedited review when needed.

101. The SAF and related operating conditions also need meaningful performance measures. The Board should convene an expedited technical conference where the Board (in consultation with a range of stakeholders) can develop and adopt objective service standards and performance-based triggers appropriate to each protected operation. CPKC cannot speak for every customer; customers should explain their service requirements and the consequences of missed service. The Board should resolve disagreements, establish binding deadlines, and ensure that the initial standards, monitoring, reporting, and enforcement arrangements are operative before consummation. Applicants should not be able to postpone protection by withholding information or agreement. The Board should also retain authority to revise the measures as traffic, operations, customer needs, and experience change. Establishing and maintaining these protections across the combined network would itself be a substantial and continuing undertaking.

102. The standards should address performance relevant to the effectiveness of the appropriate remedy. For access to jointly-used tracks and switching access, this would include as applicable assuring reliable transit across shared track, effective interchange on shared track, timely performance of reciprocal switching including timely movement from customer facilities to our Baton Rouge yard and timely pickup once cars are available among other metrics. For gateway conditions, this would include prompt interchange in blocks and performance origin to

destination as well as other metrics. Metrics should be set through a technical conference. The standards should require consistently reliable service for the substantial majority of covered movements or required service days, with recrews occurring infrequently and affecting only a minimal percentage of covered movements. CPKC's service performance should be at least comparable to Applicants' performance for comparable movements, and its recrew rates should be no higher than Applicants' rates for such movements. The Board should establish appropriate comparisons and minimum acceptable service requirements, taking account of customer needs, representative operating conditions, and more protective existing contractual obligations. The Board should ensure that any deficient performance by Applicants is not a basis to justify equally poor treatment of CPKC's trains.

103. Before consummation, the Board should, through the technical conference, adopt the applicable thresholds, covered movements and locations, measurement methods, reporting requirements, and relationship between each performance failure and the corresponding remedy. Compliance with performance-based springing triggers should be measured over 30 days. Notice by CPKC identifying a failure over the initial 30-day period should begin a 30-day cure period, during which Applicants must achieve the applicable standard. If the applicable standard remains unmet over the cure period, CPKC should be entitled to activate the corresponding preauthorized remedy by supported notice subject to the predicates specified for that remedy (the "30/30 process"). Any existing contractual duties and independent conditions enforceable without a performance trigger should remain effective.

104. In this section, I address five key areas where the substantial merger-related traffic increases claimed by Applicants—from anticipated traffic growth and planned re-routes of

existing volumes—would cause serious havoc if not addressed by conditions requiring infrastructure investments and operational adjustments:

- Impacts in the Kansas City Terminal;
- Impacts on trackage between Houston and DeQuincy, LA, which UP shares with CPKC, BNSF, and Amtrak;
- Impacts at Meridian, MS, where NS's New Orleans-Birmingham line crosses and connects with MSLLC and two other CPKC lines;
- Impacts in the Chicago Terminal; and
- Impacts at the New Orleans gateway.

If the Board approves the UP-NS merger, it should impose enforceable conditions addressing these adverse impacts, including requirements for capacity investments, imposition of strict service standards and permanent oversight. These service standards should not merely demand equal treatment by UP; in some cases (such as between Victoria and Robstown) CPKC's use of joint trackage involves premium service trains that UP does not operate, and thus equal treatment would mean discriminatory treatment. Rather, the Board should also hold UP-NS to benchmarks established in absolute rather than relative terms. We do not want this merger to result in a service meltdown that does not technically violate the conditions just because service has melted down equally for everyone.

A. The Kansas City Terminal

105. Applicants propose dramatic changes in the way they operate in the Kansas City terminal area. Most fundamentally, Applicants plan to increase the volume of traffic moving between UP and Legacy-NS via the Kansas City gateway while at the same time shifting that traffic to a new route that would conflict directly and substantially with key routes upon which

CPKC and others rely.[19] Instead of interchanging with NS via the Hannibal Bridge (as UP does today), Applicants plan to shift multiple trains per day to a route via Kansas City Union Station, KCS Junction, Airline Junction, the single-track Truman Bridge, and Birmingham, MO.

106. As described below, Applicants' shifted and expanded operations will conflict directly with CPKC's route through the Kansas City terminal for trains between Chicago and Shreveport, bulk trains originating in the U.S. Midwest for Mexico and Southern U.S. destinations, premium intermodal service between Chicago and Mexico, as well as all of the trains CPKC moves into and out of its Knoche Yard in Kansas City. Applicants also plan to increase the work performed at NS's Voltz terminal substantially. Because the leads to that facility are located just east of the Birmingham interlocking (with the intermodal tracks being less than 4,000 feet east and the automotive terminal tracks only about 1,000 feet east), Applicants' planned work will block the movement across the interlocking for CPKC trains moving between Kansas City and points north.

107. On top of all of this, Applicants' settlement with CN would add additional train movements and further complexity directly in the path of CPKC's route through the Kansas City Terminal. CN would acquire or gain trackage rights over UP's lines between Kansas City and St. Louis, which would be accessed from UP's Neff Yard. Those operations would cross over the same tracks that CPKC must use to reach its route to Shreveport as well as its own route between Kansas City and St. Louis.

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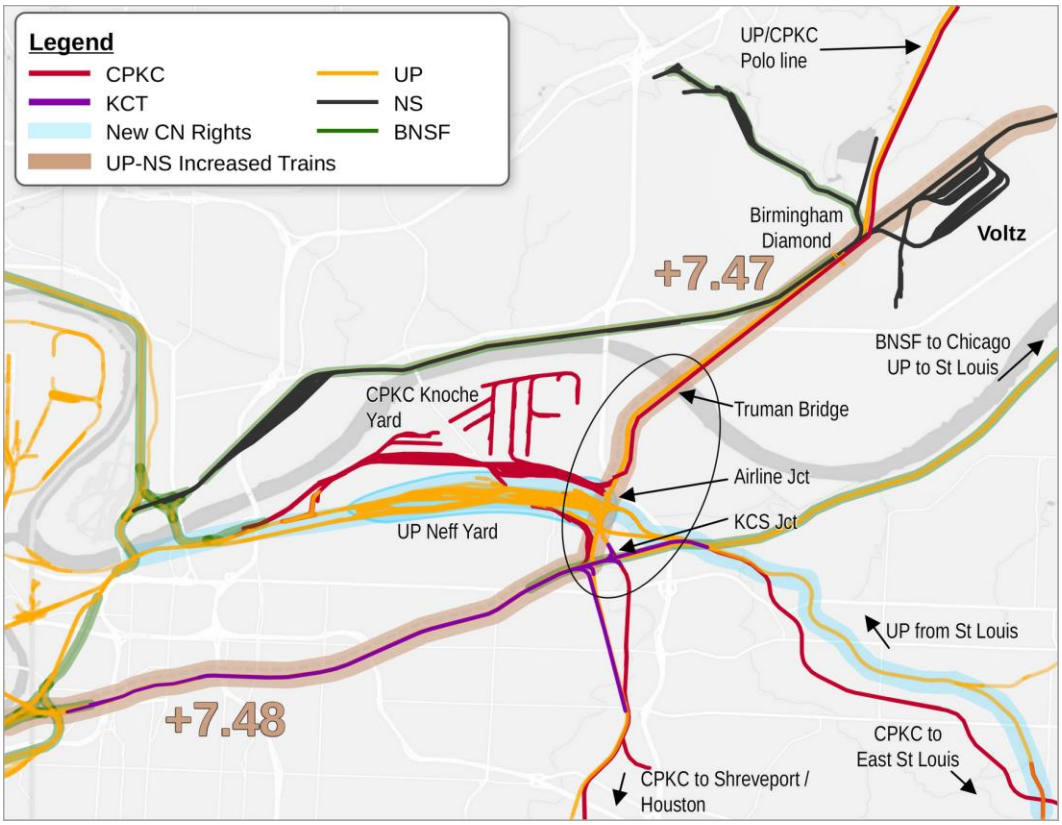
[19] *See generally* Rev. App at 2-903 (Turner Second Errata V.S. ¶ 90).

108. Figure 4 below depicts Applicants' and CN's proposed post-merger operations in the corridor between Birmingham and KCS Junction on the east side of the Kansas City Terminal.

FIGURE 4
EASTERN PORTION OF KANSAS CITY TERMINAL
SHOWING APPLICANTS' PLANNED TRAFFIC SHIFTS AND CN PROPOSED OPERATIONS

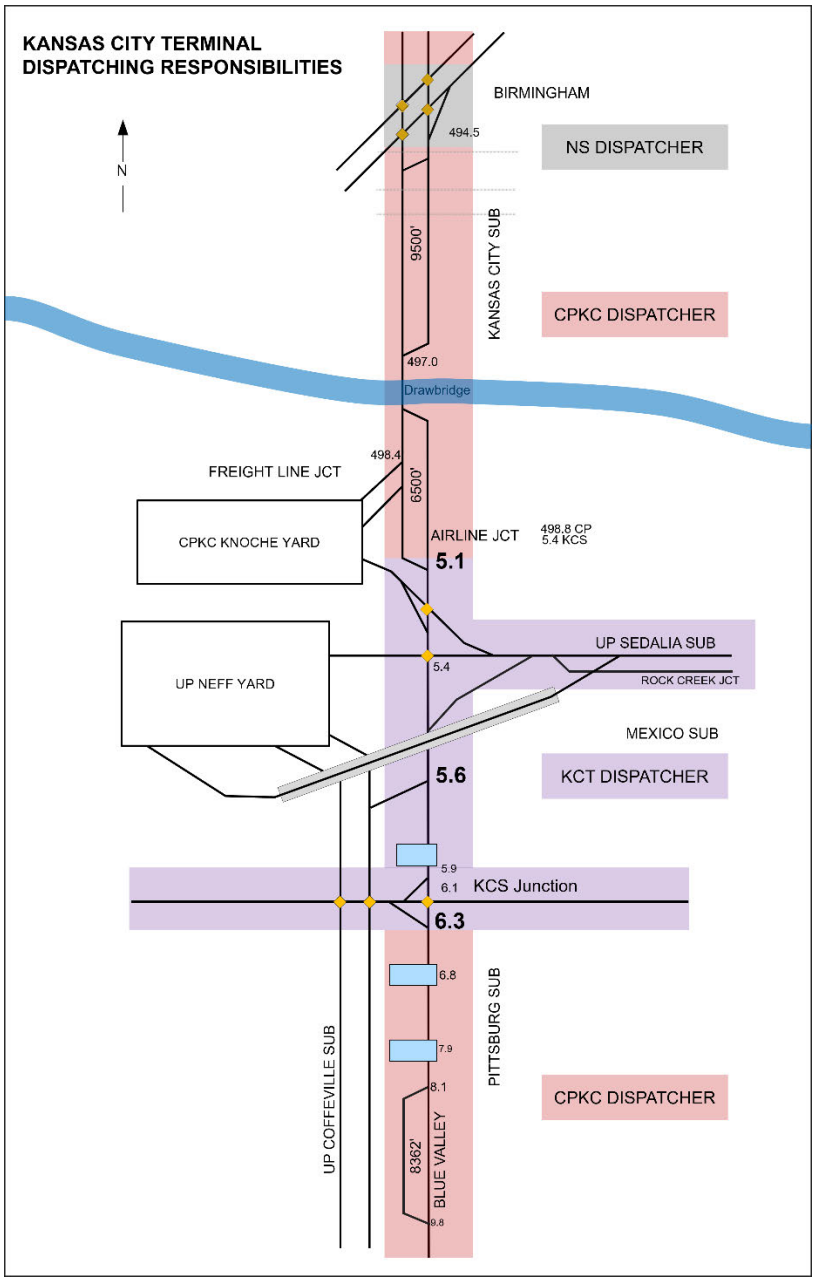


109. As Figure 4 shows,[20] the route of UP-NS's new and re-routed trains, plus the proposed new CN operations, would be superimposed directly on top of the routes that CPKC relies upon to pass through Kansas City and access CPKC's Knoche Yard. A significant portion of the route UP-NS operations would traverse is single-tracked, specifically the portion between

20 *See* EI-34224 at 240, 246 (filed Apr. 30, 2026) (Master Segment Table).

KCS Junction and Airline Junction and the Truman Bridge, as shown in the diagram set forth as Figure 5 below.

FIGURE 5
TRACK CONFIGURATION AND DISPATCHING RESPONSIBILITIES
BIRMINGHAM TO KCS JUNCTION (MP 6.3)



110. The balkanized allocation of dispatching responsibility in this portion of the terminal will heighten the risks, especially with UP-NS and now CN together having effective control of KCT. Currently, between KCS Junction and Birmingham, dispatching control is split three ways, meaning that concurrence of three separate parties is needed to complete any move across this segment. NS controls the Birmingham diamond crossing, CPKC controls dispatching north of Birmingham and between Birmingham and Airline Junction, and KCT dispatches the segment between Airline Junction and KCS Junction, as shown in the diagram in Figure 5. KCT's dispatching role here is especially concerning given the potential that following a UP-NS merger, UP together with CN would effectively control KCT and potentially have inordinate influence over KCT dispatching of this critical segment.

111. UP's and NS's operations here already consume a disproportionate share of capacity in this part of the terminal. UP already blocks the diamonds at Southwest Junction, where KCT has dispatching control, often in upwards of two hours per day departing just a handful of trains from Neff Yard to the East that UP must double out because of their length, consuming extra time. And NS already occupies the Birmingham interlocking, where it has dispatching control, for hours each day for train movement and work, including at its Voltz facility east of the crossing.

112. The additional UP-NS and CN merger trains would place a serious strain on capacity in the Kansas City terminal. To make matters worse, most and perhaps all of the new UP-NS trains would be premium intermodal trains as to which UP-NS would claim dispatching priority on KCT and assert such control directly through their control of dispatching at the Birmingham interlocking. In CPKC's experience, UP dispatchers consistently establish an extensive umbrella of protection around upcoming movements of UP's trains, holding all

potentially conflicting movements until their so-called priority trains have passed. CPKC experiences this consistently at other points controlled by UP's dispatchers, such as Clinton, IA where UP's Chicago-Omaha mainline crosses CPKC, and on joint trackage in Houston, where UP dispatchers put CPKC trains in the siding to ensure that UP's scheduling priorities are maintained.[21] Such a practice in this portion of the terminal would create gridlock for all other users of this vital facility.

113. UP should appreciate the risks here. Ironically, in the *CP/KCS* proceeding, UP argued that the addition of 14 CPKC trains on the UP-CP Polo Line between Airline Junction and Polo, MO would necessitate additional investment in capacity.[22] In that proceeding, CPKC demonstrated that the increase in traffic arising from the CP/KCS transaction would not cause operational concerns.[23]

114. The additional trains UP plans to run via KCS Junction and Birmingham as a result of the UP-NS merger pose far more serious risks, for at least four reasons.

- Applicants' proposed new operations between KCS Junction and Birmingham would be overlaid on a higher base of train operations than was at issue in

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[21] In the *Amtrak Sunset Limited* proceeding, Amtrak complained that UP assigned its premium "Z" trains the same dispatching priority as Amtrak; UP's response was that it gave Amtrak the statutory preference to which it was entitled, but assuming that is true it would not alter the fact that, as between a UP Z train and a foreign carrier's freight train, UP would deem a Z train to be the equivalent of a passenger train for purposes of dispatching prioritization. *See Complaint and Petition of The National Railroad Passenger Corp. Under 49 U.S.C. § 24308(f) for Substandard Performance of Amtrak's Sunset Limited Trains 1 and 2*, Docket No. NOR 42175, UP's Reply Statement and Evidence (filed Dec. 23, 2024) at 109 & n.341.

[22] *See CP/KCS*, Finance Docket No. 36500, UP's Comments and Request for Conditions (UP-10) (filed Feb. 28, 2022) at 62-63; *id.,* Turner/Rocker V.S. at 34-35 (excerpts are Exhibit 3 hereto).

[23] *See CP/KCS*, Finance Docket No. 36500, Applicants' Response to Comments and Requests for Conditions, Opposition to Responsive Applications, and Rebuttal in Support of the Application (CP-53/KCS-39) (filed July 12, 2022) at 166-67; *id.*, Elphick/Orr V.S. ¶¶ 78-80.

CP/KCS. In 2026 (through the end of September 2026), a daily average of [redacted] CPKC and 8.7 UP trains move between Airline Junction and Birmingham or across this path, approximately five trains per day more than the 2019 level of traffic in the corresponding months considered in *CP/KCS*.[24]

- The operations that UP-NS's new trains would conflict with are significantly more numerous and more complex. In *CP/KCS* UP was focused on conflicts with its own operations between Airline Junction and Polo. Here, UP-NS's new operations would conflict with CPKC's operations between Airline Junction and Polo as well as all other operations at Airline Junction and between Airline Junction and KCS Junction. Operations here include:

    - 10.57 trains per day moving across Airline Junction between Knoche Yard and CPKC's Kansas City Subdivision;
    - Approximately one train per month moving between CPKC's Kansas City Subdivision and CPKC's Mexico Subdivision via Birmingham, Airline Junction;
    - Approximately three trains per day moving between CPKC's Knoche Yard and KCT trackage in the western portion of the Kansas City terminal for interchange with BNSF and service to local customers;
    - As many as six UP trains between Neff Yard and UP's River or Sedalia Subdivisions via Southwest Junction; and
    - Some number of yet undetermined future CN trains between Neff Yard and UP's River or Sedalia Subdivisions via Southwest Junction.

- The operations UP-NS *propose to add* would also cause more conflicts because they would traverse the entire segment between KCS Junction and Birmingham,

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[24] Workpaper, "CPKC Oversight Data for Polo Line – 2019 and 2026 to end of August.xlsx."

much of which is single-tracked, and is controlled by three separate dispatchers—KCT, CPKC, and NS. The potential for severe congestion is magnified by the short length of the available double-track segments and the long length of UP's planned train operations. The only place to pass a train between KCS Junction and the single-track Truman Bridge is 6,500 feet of double track just south of the Birmingham interlocking. Were trains allowed into the KCS Junction-Birmingham segment by a KCT dispatcher without a clear path out of the segment, the result would be gridlock. But even if there were a clear path out, the new trains would consume scarce track capacity needed by all other operations into and out of CPKC's Knoche Yard and UP's Neff Yard, as well as CPKC's trains passing through this area.

- To the extent the new UP-NS trains would have scheduled work at the legacy-NS Voltz facility just east of Birmingham, congestion would be magnified sharply. There is already congestion there with 8.7 UP trains and [redacted] CPKC trains passing daily across CPKC's Polo Line (which runs from Polo, Missouri past Voltz to Airline Junction). Already, two thirds of CPKC trains are stopped or delayed for an average of 30 minutes per train. Indeed, CPKC trains already experience long delays several times a month because NS's dispatchers controlling the Birmingham interlocking do not allow CPKC trains across because of NS operations in the area. CPKC has repeatedly had to escalate the issue to NS executives for resolution, which has not prevented the problem's recurrence. (During September 2026, for example, CPKC trains incurred 29 hours of delay at the Birmingham interlocking on account of NS dispatchers not providing

clearance at that location.) This problem will get worse with the influx of UP's Z trains passing through Birmingham and performing work at Voltz.

115. The consequences of congestion in this area would be severe. It would bottle up CPKC trains in Knoche Yard, delay CPKC trains transiting the Kansas City terminal, increase cycle times for bulk trains interchanged in Kansas City with UP and BNSF along with those that originate east of Kansas City, and interfere with CPKC's service to local customers and its interchange with BNSF. CPKC's ability to compete with the new Transcon UP would be undermined.

116. The Board should weigh these risks to the Kansas City gateway in its assessment whether to approve the merger. If it does approve the merger, the Board should impose conditions aimed at ensuring that Applicants take full responsibility for the costs imposed on others by their merger-related changes. Specifically, the Board should:

- Maintain perpetual oversight of the operational fluidity in the Kansas City Terminal and retain jurisdiction to impose new conditions addressing any merger-related concerns that may emerge;
- Grant CPKC's Responsive Application providing CPKC with an alternative route between Knoche Yard and the west end of the Terminal, both avoiding the area where the merger is likely to cause congestion and reducing the burdens on that infrastructure (the specifics of these rights are addressed in Section IX below);
- Require UP-NS to avoid blocking the Birmingham Interlocking, Airline or KCS Junction or Southwest Junction and to provide clearance on a first-to-arrive/first-to-move basis;

- Require UP (and CN to the extent its Responsive Application is granted) to use any influence at KCT to ensure that KCT does not prioritize UP-NS or CN operations in their use of trackage or interlockings dispatched by KCT between KCS Junction and Airline Junction;
- Establish metrics tailored to the specific operational concerns at issue here, including track occupancy times associated with UP train movements between KCS Junction and Airline Junction, between KCS Junction and Birmingham, between Airline Junction and Birmingham, delays gaining clearance to Airline Junction from Knoche Yard, and delays gaining clearance to cross Birmingham Interlocking;
- Require UP-NS to fund construction of a connection between CPKC's Mexico Subdivision and its Pittsburg Subdivision, providing an alternative to the current route across Southwest Junction and KCS Junction as shown in Figure 6 below.[25] Grain trains originating on CPKC's Gateway Line at Corder, Marshall, and Slater, Missouri, and Jacksonville, Illinois, and moving to destinations in the southern United States and Mexico currently cross those junctions with KCT authorization; empty return trains use the same route. Those movements would conflict with the new UP-NS route and trains. The proposed connection would allow these trains to move to and from points south of Southwest Junction and KCS Junction without traversing those junctions, reducing the conflicts and resulting congestion;

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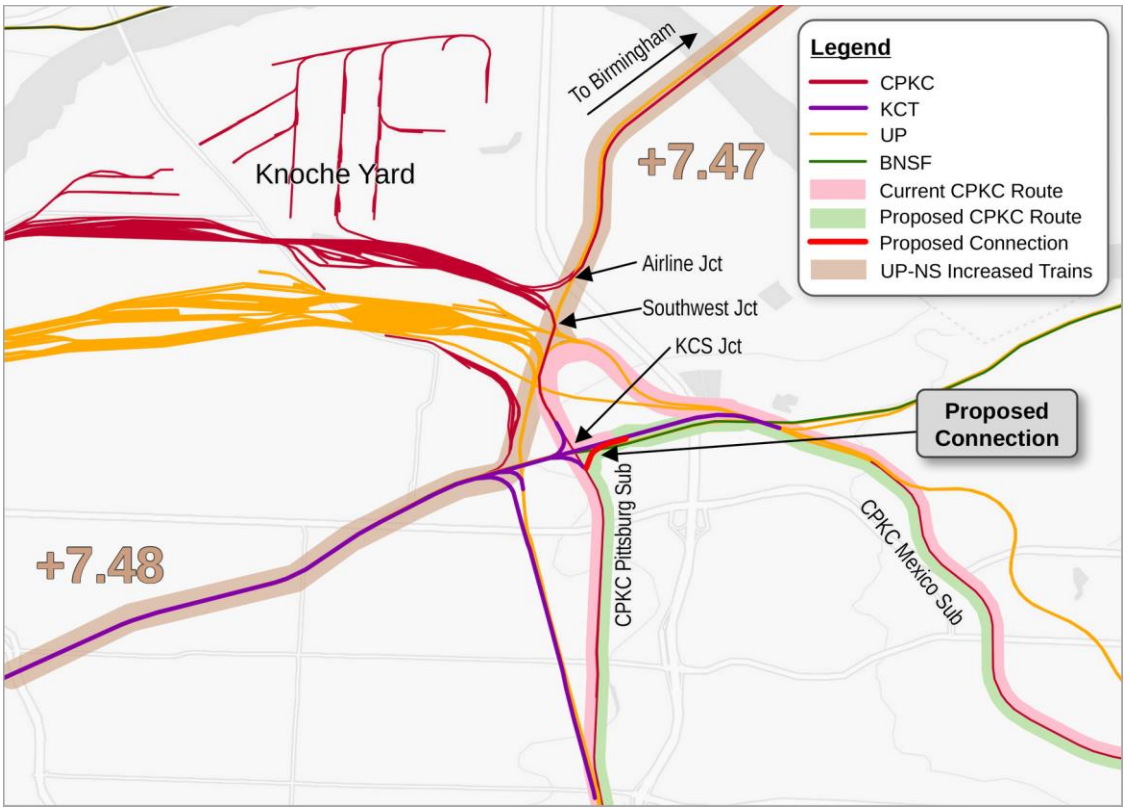
[25] *See* EI-34224 at 240, 246 (filed Apr. 30, 2026) (Master Segment Table).

FIGURE 6 – PROPOSED CPKC CONNECTION BETWEEN PITTSBURG AND MEXICO SUBDIVISIONS IN THE KANSAS CITY TERMINAL



- Establish springing conditions to provide incentives for UP-NS to avoid operational disruption in the Kansas City Terminal and ensure prompt remediation if UP's post-merger operations cause material degradation in fluidity, including:

  - The transfer of dispatching responsibility for Birmingham Interlocking to CPKC;
  - Requiring UP and CN to support a transfer to CPKC of dispatching responsibility for the segment between KCS Junction and Airline Junction from KCT to CPKC;
  - The obligation to double track the route between KCS Junction and Birmingham, including building a new bridge parallel to the Truman Bridge (because the existing Truman Bridge truss cannot accommodate double tracking);

- Requiring UP-NS to reroute sufficient trains via an alternative route between legacy-UP's 18th Street Yard and Birmingham (including via the Hannibal Bridge) to restore pre-merger levels of fluidity.

  - I recommend that the Board consider standards including to address the springing remedies described above. The standards should be designed to enforce conditions meant to prevent congestion and operational interference in KCT as a result of the merger. Those standards should address among other things UP occupancy of track between Birmingham and KCS Junction that is used by other railroads, UP's holding of CPKC trains at Birmingham, impact of UP train interference on transit of CPKC trains between Birmingham and KCS Junction, delays in the admission of CPKC trains to and from Knoche Yard and otherwise as a result of KCT or UP dispatching decisions. The standards should be established through the technical conference and be subject to the 30/30 process.

117. In sum, CPKC's proposed conditions address several interrelated problems in the Kansas City Terminal: existing congestion that Applicants' expanded and rerouted operations would exacerbate; UP's and NS's practices of blocking critical junctions and favoring their own trains; and insufficient capacity and alternative routes to accommodate the resulting traffic conflicts. The requested conditions would address these problems through operating and dispatching requirements, performance standards and oversight, and alternative routes and additional infrastructure that would relieve bottlenecks, reduce conflicting movements, and protect competition.

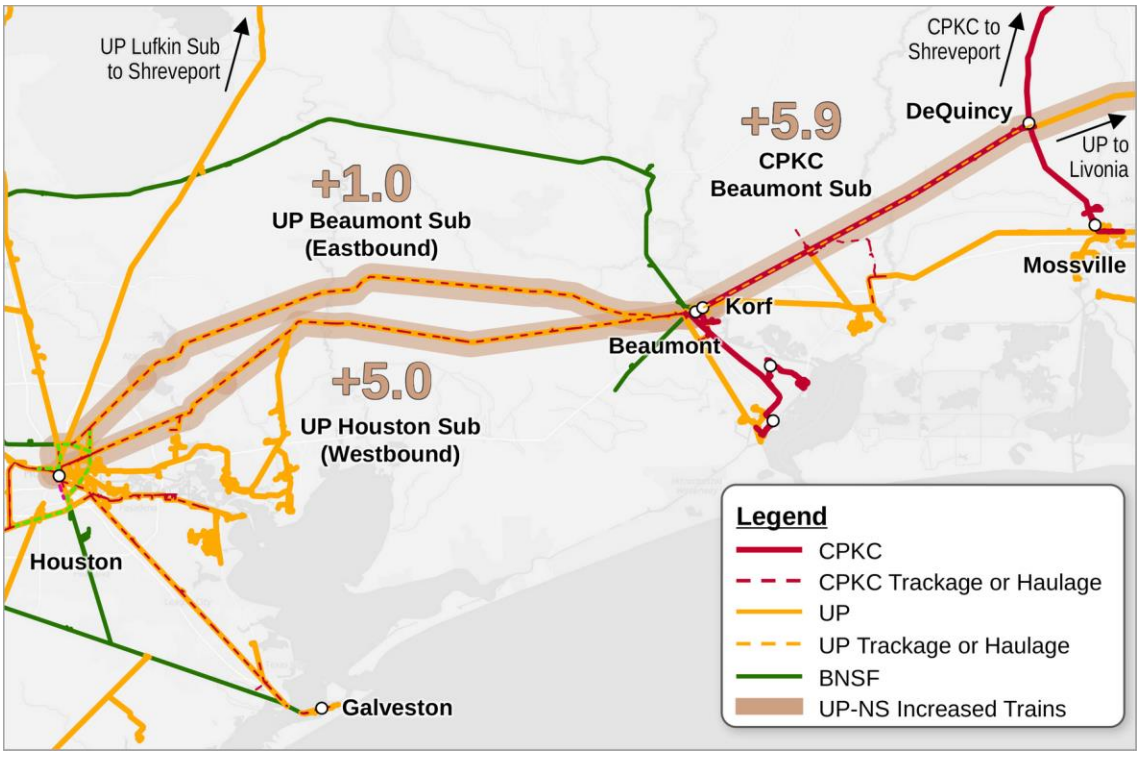
B. Houston to DeQuincy, Louisiana

118. The rail networks of CPKC, BNSF, and UP depend on efficient operation of the Houston Terminal and fluid operations between Houston and Beaumont, and beyond Beaumont on CPKC's single-track Neches River Bridge, over which all three railroads operate along with Amtrak's Sunset Limited. UP and CPKC also depend on fluid operations on CPKC's Beaumont

Subdivision between the east end of the Neches River Bridge and DeQuincy, LA, where UP has trackage rights on CPKC's mainline.

119. Applicants project that the merger will add six additional trains per day between Houston and across the Neches River Bridge and CPKC's Beaumont Subdivision between Beaumont and DeQuincy. Applicants' projections show UP's traffic more than doubling between Beaumont and DeQuincy and its train counts increasing by 35 percent. The implication, of course, is that trains will be much longer as well as more numerous.[26] These increases are shown in Figure 7 below.

FIGURE 7
APPLICANTS' PLANNED TRAFFIC INCREASES HOUSTON-DEQUINCY



[26] *See* Rev. App. 2-762 (Gehringer/Orr V.S. ¶ 316); EI-34224 at 214 (filed Apr. 30, 2026) (Master Segment Table).

120. Although these routes have sufficient capacity to handle current traffic volumes, CPKC is concerned that UP's merger-related traffic increases could result in material congestion that degrades performance of CPKC and other through train operations on these lines and imposes extra costs on CPKC's efforts to compete with UP and serve its customers.

121. These concerns should be familiar to UP. In the *CP/KCS* proceeding, Applicants argued that the addition of eight additional CPKC trains traversing the Houston Terminal would "increase train counts on already busy lines by 25% or more" and contended that additional capacity would be needed at several locations to "prevent the projected jump in traffic from endangering operations in Houston."[27] UP also contended that the Neches River Bridge was a "single-track choke point" that was "near or at the limits of its fluid capacity."[28]

122. In *CP/KCS*, CPKC demonstrated that its new operations through this territory would be straightforward through movements that placed little burden on the Terminal that, when added to the then-existing base levels of traffic, would not tax fluid capacity in these areas. That has been borne out by experience.

123. The same cannot necessarily be said about Applicants' proposed operations, which would be more complex and impose greater risks, for at least three reasons:

- Applicants' proposed new operations between Houston and Beaumont/DeQuincy would be overlaid on a higher base of train operations than was at issue in

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[27] *See CP/KCS*, Finance Docket No. 36500, UP's Comments and Request for Conditions (UP-10) (filed Feb. 28, 2022) at 58-59; *see also id.* Turner/Rocker V.S. at 30-31 (excerpts are Exhibit 3 hereto).

[28] *See id.,* Turner/Rocker V.S. at 32-33 (excerpts are Exhibit 3 hereto).

CP/KCS. In 2026, an average of 31.9 trains per day move through Beaumont and across the Neches River Bridge, about four more than the 2021 average.[29]

- Applicants' proposed new operations would add considerably more operational complexity than the through trains proposed in *CP/KCS,* both at Houston, where there historically has been persistent congestion associated with UP's Englewood Yard and at Beaumont. At Houston, Applicants' Operating Plan anticipates driving a 20 percent increase in daily processing levels at UP's Englewood Yard in the heart of the Houston Terminal and adjacent to the line that CPKC's westbound trackage rights trains must traverse.[30] CPKC has had very bad experiences with the impacts of congestion caused by UP trains working at Englewood and staging to access that facility. This area is shown in Figure 8 below. The potential impacts of more train operations and more congestion associated with Englewood processing activity would be severe.

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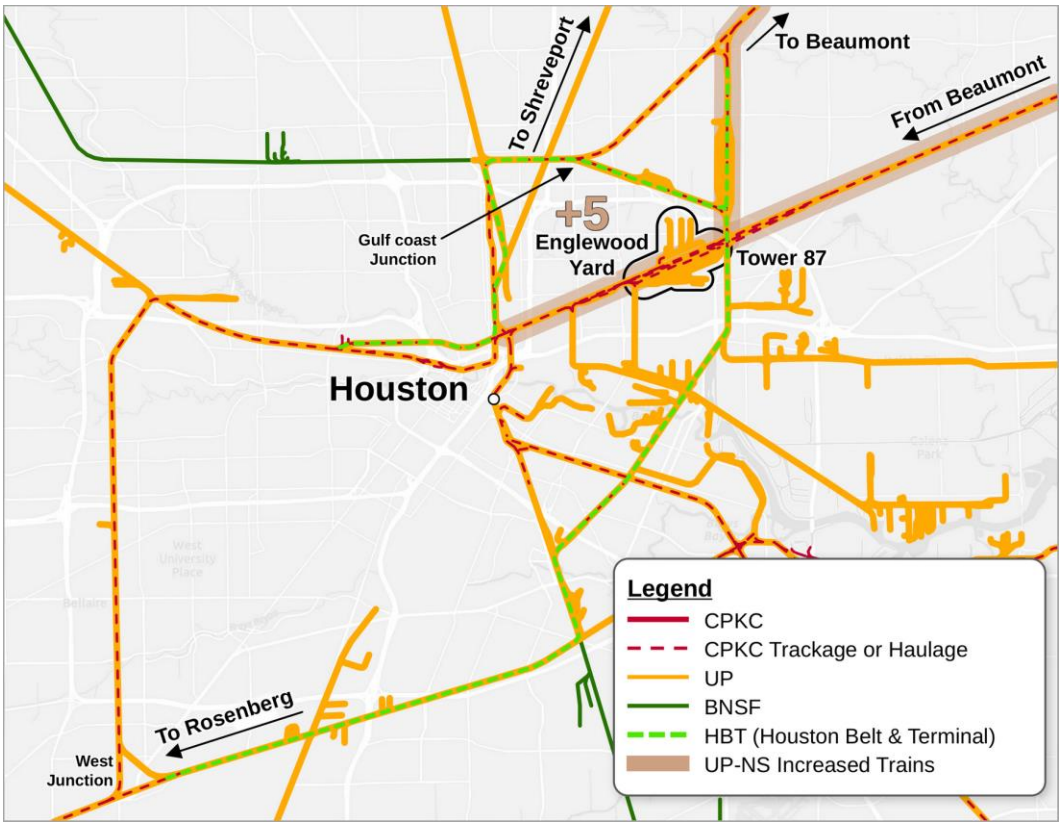
[29] Workpaper, "CPKC Oversight Data for Neches River Bridge – 2021 and 2026 to end of August.xlsx."

[30] Rev. App. at 2-741 (Gehringer/Orr Table 7).

FIGURE 8
IMPACT OF ADDED UP-NS TRAINS AND WORK AT ENGLEWOOD[31]

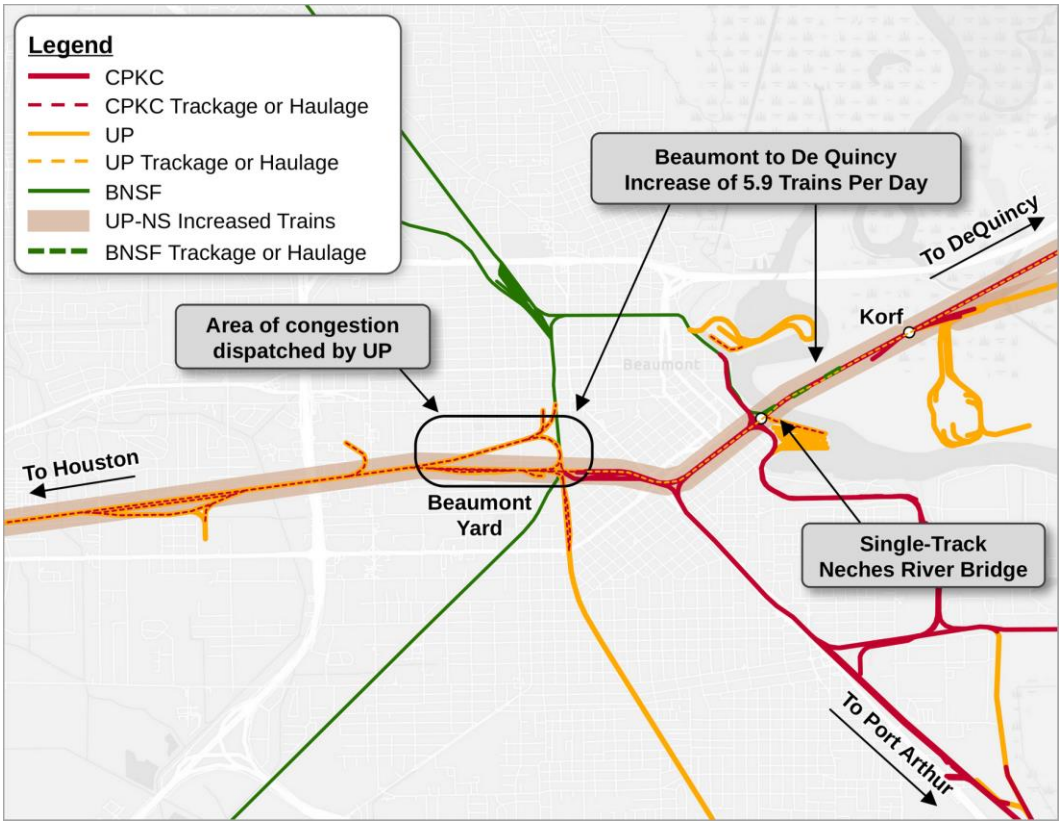


- At Beaumont, UP's yard is heavily congested, which leads to congestion on UP's line between the west end of the Neches River Bridge and the convergence of the Beaumont and Houston Subdivisions. The additional trains UP-NS plan to run here could cause congestion that disrupts fluid movements, potentially backing trains up east of the Neches River Bridge, including on CPKC's single-track Beaumont Subdivision between Beaumont and DeQuincy. In the current environment, CPKC trains already frequently experience significant delays in the Beaumont area waiting for a through route. UP's southbound trains out of Beaumont regularly are required to double or triple out together toward the

[31] EI-34224 at 224 (filed Apr. 30, 2026) (Master Segment Table).

Houston Subdivision. When this happens, the trains pull out toward Amelia blocking CPKC's route toward Houston and potentially even CPKC's route off the UP Beaumont Sub to go toward DeQuincy and Shreveport. This happens as many as three times per day and can result in delays ranging from 2-3.5 hours. UP-NS's "Growth Train Plan" would introduce five new trains with planned crew-change events at Beaumont introducing the high likelihood of additional congestion and delay. Thus, increased congestion at Beaumont will in turn prevent the prompt movement of CPKC's and UP's eastbound trains out of Beaumont, further reinforcing a cycle of service disruption. Figure 9 depicts train movements in this area.

FIGURE 9
IMPACT OF ADDED UP-NS TRAINS AT BEAUMONT[32]



124. The Board should weigh these risks in its assessment of whether to approve the merger. If it does approve the merger, the Board should impose conditions aimed at addressing where possible competition risks/harms from the merger. Specifically, the Board should:

- Maintain perpetual oversight of the operational fluidity in the Houston Terminal and between Houston and DeQuincy and retain jurisdiction to impose new conditions addressing any merger-related concerns that may emerge;

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32 EI-34224 at 214 (filed Apr. 30, 2026) (Master Segment Table).

- Require that UP provide through train operations of CPKC and other carriers with a clear route through both Houston and Beaumont without delays occasioned by congestion resulting from UP-NS operations at Englewood or elsewhere;
- Establish metrics tailored to the specific operational concerns at issue here, including transit times for CPKC trains across the Houston Terminal (between Rosenberg and Beaumont); delays to CPKC entering joint trackage at Rosenberg and Beaumont; and transit times for CPKC and UP trains between Beaumont and DeQuincy;
    - The Board should adopt performance standards that protect CPKC's ability to move reliably between Houston and DeQuincy and between Beaumont and Rosenberg, including through the Houston Terminal. Those standards should address timely acceptance and admission of trains that are offered and ready to proceed onto UP's lines from an appropriate staging point where they would await access to the trackage, transit times across the corridor, delays while being held *en route*, and excessive recrews. They should capture the effects of Applicants' terminal work and dispatching decisions on CPKC's complete movement, including delays incurred before a train enters Applicants' tracks. The standards should be established through the technical conference and subject to the 30/30 process.[33]
- In *CP/KCS,* UP's proposed solution was to require CPKC to add capacity *before* increasing its operations, including potentially to invest in adding a track across

[33] Similarly, the Board should adopt performance standards to protect CPKC's ability to enter and traverse the Victoria-Robstown corridor reliably in both directions. Those standards should address timely acceptance and admission of trains that are offered and ready to proceed onto UP's lines from an appropriate staging point where they would await access to the trackage, transit times across the corridor, delays while being held *en route*, dispatching decisions including equal treatment, and excessive recrews. The standards should be established through the technical conference and subject to the 30/30 process.

the Neches River Bridge.[34] CPKC is not certain that such investments would be necessary to address UP's proposed train count increases, but the Board should require that UP do so before its additional trains cause material degradation in the performance of trains traversing this trackage. Accordingly, the Board should establish springing conditions to provide incentives for UP to avoid operational disruption and ensure prompt remediation if UP's post-merger operations cause material degradation in fluidity, including:

- Grant CPKC's Responsive Application seeking trackage rights between Shreveport and Houston via UP's Lufkin Subdivision. As discussed in detail in Section VIII below, that bypass route option would allow CPKC trains to avoid congestion between Houston and DeQuincy (and adjacent to Englewood Yard in Houston), thereby mitigating the performance impacts of merger-related congestion (albeit at the cost to CPKC of establishing new crewing and other arrangements) while simultaneously reducing congestion between Houston and DeQuincy;
- Fund additional capacity as appropriate to address any identified service degradation between Houston and DeQuincy, potentially including additional double-track and sidings on CPKC's single-track line between Beaumont and DeQuincy and the construction of UP's own bridge across the Neches River.

C. Meridian, Mississippi

125. Were the Board to approve the merger, Meridian, MS would be a major crossroads in the UP Transcon network. Meridian is where the UP-NS traffic transiting the Meridian Speedway in East-West (and Mexico-Southeast) lanes would connect with NS's busy but single-track route between New Orleans and Birmingham, AL.

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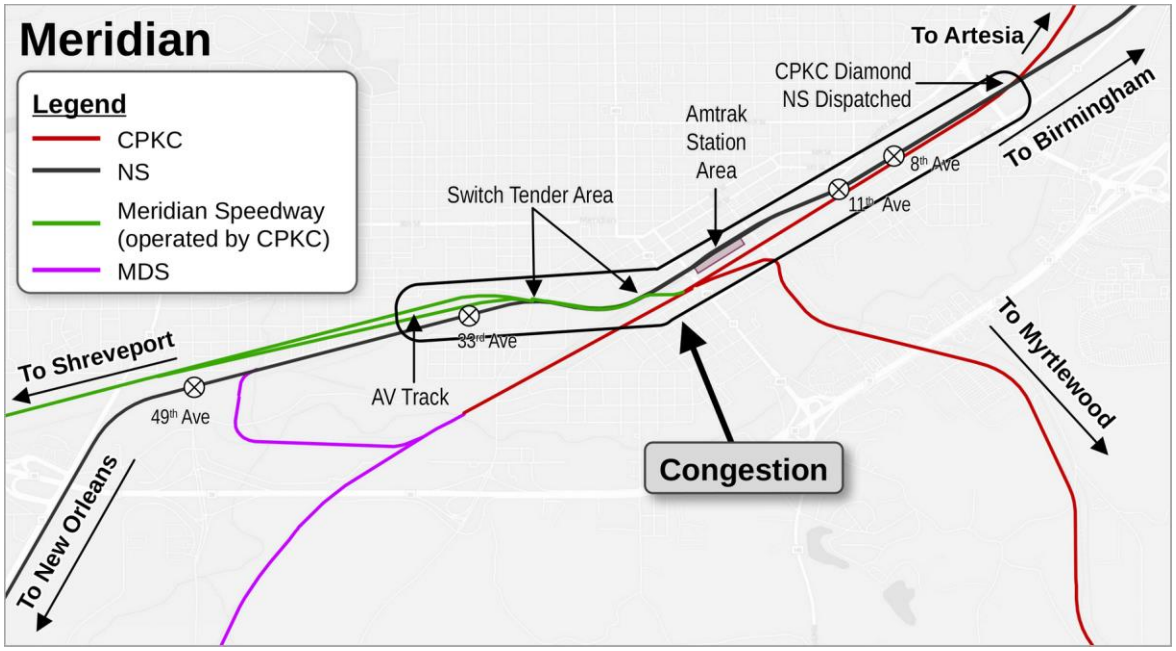
[34] *CP/KCS*, Finance Docket No. 36500, Union Pacific Railroad Company's Final Br. (UP-14) (STB filed Oct. 21, 2022), at 10–12.

126. Meridian is also vital to CPKC's operations, as well as those of shortlines Meridian & Bigbee Railroad ("MNBR") and Meridian Southern Railway. Trains operating in the terminal include:

- Two Amtrak trains per day between New Orleans and Atlanta;
- Six to eight trains per day moving between CPKC and NS via the connection with the Meridian Speedway:
    - CPKC 168/NS 26A intermodal train (CPKC Wylie IMS to NS Meridian), daily except Monday;
    - CPKC 169/NS 29K intermodal train (NS Meridian to CPKC Wylie IMS), daily;
    - CPKC 968/NS 28J intermodal train (UP Shreveport to NS Meridian in haulage service), daily except Wednesday;
    - CPKC 969/NS 29S intermodal train (NS Meridian to UP Shreveport in haulage service), daily;
    - CPKC 966/NS 28A intermodal train (UP Shreveport to NS Meridian in haulage service), daily;
    - CPKC 967/NS 27S intermodal train (NS Meridian to UP Shreveport in haulage service), daily;
    - CPKC L61/NS 339 manifest train (NS Meridian to CPKC Jackson), daily; and
    - CPKC 256 / NS 340 manifest train (CPKC Wylie to NS Meridian), daily;
- Two CPKC-CSXT Southeast-Mexico Express ("SMX") Service trains per day between the Meridian Speedway and CPKC's connection with CSXT at Myrtlewood, AL; and
- Two CPKC trains per day between the Meridian Speedway and CPKC's line to Artesia.

127. All of these operations through Meridian must traverse the same chokepoint in the center of the Meridian Terminal, as shown in Figure 10 which follows.

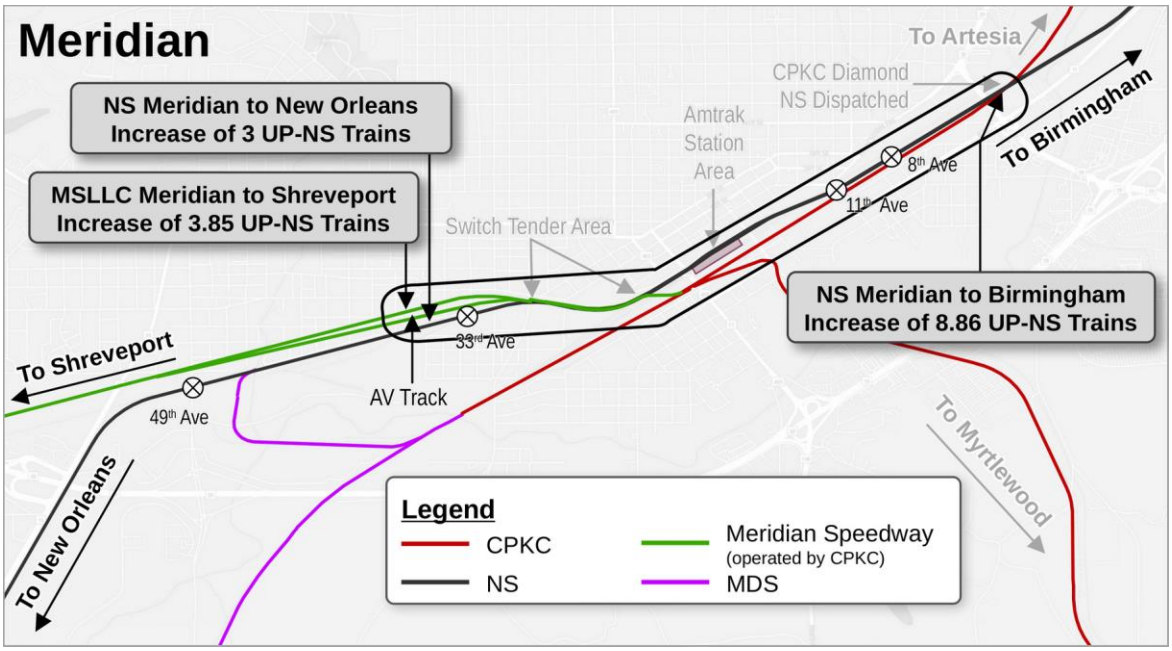
FIGURE 10
OPERATIONS THROUGH THE MERIDIAN TERMINAL



128. Applicants now say that they anticipate their merger adding additional trains that must traverse the Meridian Terminal. These new operations are superimposed on existing train flows in Figure 11 below.[35]

[35] EI-34224 at 202, 205, 236 (filed Apr. 30, 2026) (Master Segment Table).

FIGURE 11
APPLICANTS' PROPOSED NEW OPERATIONS THROUGH MERIDIAN



129. NS is well aware of the seriousness of concerns relating to operations through the Meridian Terminal. In the *CPKC/MNBR* case, NS contended that Meridian was a "singularly complex Gateway city" and argued that CPKC's proposed addition of *just one pair of new trains* moving through the Meridian Terminal between the Meridian Speedway and CPKC's former-MNBR line to Myrtlewood, AL, would "worsen service performance for Norfolk Southern and Amtrak (which runs on Norfolk Southern)."[36] NS identified a raft of investments and operational changes that it wanted the Board to order CPKC to undertake or fund in order to overcome these issues.[37]

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[36] *Canadian Pacific Kansas City – Acquisition & Operation – Certain Rail Line of Meridian & Bigbee Railroad,* Finance Docket No. 36732 ("*CPKC/MNBR*"), Norfolk Southern's Comments and Request for Conditions (filed Dec. 29, 2023), McClellan V.S. at 3, 5 (Exhibit 4 hereto).

[37] *See generally id.* (Exhibit 4 hereto).

130. CPKC responded to NS's concerns in the *CPKC/MNBR* case by pointing out that the concerns NS identified were real, but that they were the product of NS's decision-making and would not be made worse by the addition of two CPKC trains per day. In particular, congestion in Meridian was exacerbated by (a) NS's own train operations, (b) NS's failure to add capacity on its own lines, and (c) NS's practices relating to the crewing and fueling of trains and their scheduling (sometimes in direct conflict with Amtrak operations).[38]

131. These same issues persist today. From an infrastructure standpoint, NS has made no investments. Despite CPKC's invitation for NS to fund the powering-up of the Switch Tender switches, they remain hand-throw, perhaps because CPKC was not willing to cede dispatching control in this area to NS. And with the exception of nearly three miles of extended double track that Applicants propose to add north of Meridian by the end of Year 3 (but with no commitment to complete before adding additional trains),[39] Applicants propose no new infrastructure investments or operational changes to address the additional congestion that would result from the 8–10 new trains that they propose to add through Meridian. But outside the merger proceeding, NS continues to assert the need for improvements at Meridian, as it has sought Amtrak and CPKC support for CRISI funding to undertake many of the same projects it pressed before the Board in *CPKC/MNBR*.

132. The impacts of the new operations Applicants contemplate through Meridian could be severe, especially if NS practices that contribute to congestion continue. Those impacts would be borne disproportionately by CPKC, Amtrak, and others rather than by UP-NS. First,

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[38] *Canadian Pacific Kansas City – Acquisition & Operation – Certain Rail Line of Meridian & Bigbee R.R.*, Finance Docket No. 36732, CPKC's Rebuttal in Support of Its Application (CPKC-13) (filed Jan. 26, 2024) at 21-33.

[39] Rev. App. 2-58 (Turner Second Errata V.S. ¶ 91).

the additional UP-NS operations planned for NS's New Orleans-Birmingham line through Meridian would create material additional interference with all other operations through Meridian. As shown in Figure 11 above, all of those trains would bisect the terminal, preventing any movement of trains off of or onto the Meridian Speedway, regardless of which route east of Meridian those trains would take.

133. Second, the congestion caused by UP-NS's additional New Orleans-Birmingham trains would ripple onto the east end of the Speedway. The problem is not just that these trains must pass through the terminal, blocking all other movements in the process, but that they would consume scarce capacity north/east of Meridian on which the fluid movement of NS-bound trains coming off of the Speedway depends. By delaying those movements, NS's added New Orleans-Birmingham trains would also bottle up the Speedway and CPKC's own operations in both directions there.

134. With additional consumption of capacity in the center of the Meridian Terminal, eastbound Meridian Speedway trains arriving at Meridian would need to stage outside of Meridian at Meehan Siding, 10.6 miles west of the terminal, in order to avoid blocking access to the Meridian Speedway single-track route for westbound trains. That is because the tracks closer to Meridian—AV1 and AV2—are constrained by grade crossings at both ends, preventing most trains from staging at that location because they would block these crossings for long periods. For a train holding at Meehan, once a clear route through Meridian became available, the transit time needed to get to and across the terminal would further constrain capacity in Meridian proper, adding to congestion.

135. Third, the fact that CPKC controls operations through the "Switch Tender" area would not give CPKC any ability to prevent or overcome those impacts. It would be

counterproductive for CPKC to attempt to respond by prohibiting NS from moving its Birmingham-New Orleans trains through that area because doing so would add congestion on NS's line north/east of Meridian and in turn prevent NS-bound trains off the Speedway from moving out of the way.

136. Fourth, the additional trains Applicants anticipate on the Speedway itself would also make matters worse in the Meridian Terminal, particularly in light of NS's practices relating to crew changes and fueling for its trains. NS's westbound trains change crews and refuel adjacent to the Amtrak passenger station. Those operations block Amtrak arrivals, movements by CPKC to/from its Artesia Subdivision, and movements of *all NS trains* through the terminal, including trains moving from the Speedway to NS's Birmingham line.

137. The Board should weigh these risks in its assessment of whether to approve the merger. If it does approve the merger, the Board should impose conditions aimed at ensuring that Applicants take full responsibility for the costs imposed on others by their merger-related changes. Specifically, the Board should:

- Maintain perpetual oversight of the operational fluidity in the Meridian Terminal and retain jurisdiction to impose new conditions addressing any merger-related concerns that may emerge;
- Require UP-NS to forbear from practices that contribute to congestion in the Meridian Terminal, including a prohibition against NS fueling or recrewing trains in a manner that consumes capacity in Meridian between 29th Street and the CPKC diamond;
- Require UP-NS to fund the following capacity projects with adequate lead time and phasing to timely address the risks of potential adverse impacts from new UP-

NS trains and/or operating changes (in no event later than when Applicants complete the work that they are proposing north of Meridian on their own track):

- (a) completing the double-track investments north of Meridian described in the Application, plus the addition of staging tracks east of Meridian allowing NS trains headed toward the Speedway to wait for clearance onto the Speedway, change crews, and refuel (as necessary) without interfering with other movements through the Meridian Terminal;
- (b) requiring the addition of siding and staging capacity on the Speedway approach to Meridian sufficient to ensure that additional UP-NS eastbound trains awaiting entry to Meridian do not obstruct westbound movements onto the Speedway.

- Establish metrics tailored to the operational concerns at Meridian. The Board should adopt performance standards that protect CPKC's ability to enter, move through, and leave the Meridian Terminal reliably and in timely fashion. Those standards should address issues including NS trains and related crews and fueling creating blockages or other bottlenecks in or near Meridian that may result in delays traversing Meridian or prolonged staging nearby. These standards should be set through the technical conference and subject to the 30/30 process; and
- Establish springing conditions to provide incentives for UP to comply with objective service standards, and ensure prompt remediation if UP's post-merger operations cause material degradation in fluidity. One such condition would transfer to CPKC dispatching authority for all train movements on or across CPKC's routes between the Meridian Speedway and the CPKC Artesia Subdivision, subject to CPKC exercising that authority in a manner that does not discriminate against the operations of UP-NS. This would prevent NS from abusing its control of the CPKC Diamond in a manner that would facilitate NS

trains operating across that diamond being allowed to contribute unreasonably to congestion at Meridian.

D. The Chicago Gateway

138. History shows that operational disruption affecting the Chicago gateway poses a serious threat to the health of rail operations across the entire continent. The winter of 2014 provides a stark example: congestion in Chicago reached "critical levels," disrupting rail traffic throughout the United States and producing a national rail-service crisis that "reverberated for much of the year."[40] Because Chicago is the principal interchange point connecting the major eastern, western, and Canadian railroads—and handles roughly one-third of U.S. rail freight—delays there do not remain local: trains back up on lines approaching Chicago, equipment and crews fall out of cycle, and congestion propagates outward across interconnected railroad networks.[41] Indeed, the very existence of the CREATE program reflects the industry's long-standing recognition that improving capacity and fluidity in Chicago is a matter of national, not merely local, importance.[42]

139. Applicants plan massive changes to rail operations in Chicago, only some of which are detailed in the Application's Operating Plan. The Application spells out significant revisions to how UP and NS will exchange rail traffic via facilities in the Chicago area, including a major reshuffling of the roles played by UP's more than five yards and four intermodal terminals (Global 2, 3, 4, Yard Center) and NS's more than five yards and four intermodal

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40 *Report of the Amtrak Chicago Gateway Blue Ribbon Panel* 16 (Oct. 2015), https://www.amtrak.com/content/dam/projects/dotcom/english/public/documents/corporate/businessplanning/Chicago-Gateway-Amtrak-Blue-Ribbon-Panel-Final-Report.pdf.

41 *See id.* at 8, 14, 16-17.

42 *Id.* at 17-18.

terminals (47th, 63rd, Calumet, Landers) in or near Chicago. Applicants plan to increase traffic substantially on a route through the heart of Chicago connecting the UP and NS networks via UP's Proviso Yard, the BRC, and NS's Ashland Avenue Yard. They plan to reduce rubber tire interchanges between one another by adding new steel-wheel connections, adding traffic to the Chicago rail network. They plan to reduce the volume of railcars NS delivers to BRC for processing at Clearing Yard, but not to reduce their reliance on that facility to connect with other carriers in Chicago. And UP has simultaneously negotiated the right to expand its use of CN's EJ&E route to connect UP's network with NS's network without passing through the heart of the Chicago terminal.

140. The Chicago Terminal is the most complex in the world. On a daily basis it performs the vital function of facilitating the efficient exchange of traffic among six large railroads and five smaller railroads, hosting nearly 600 daily passenger movements (excluding CTA rapid transit and Metra Electric), and supporting approximately 20,000 daily intermodal and carload originations and terminations that serve the transportation needs of rail customers in America's industrial heartland.[43]

141. In light of the complexity of Chicago, and the speculative nature of the extensive changes that Applicants seem to have in mind for their operations in and around Chicago, it is very difficult to predict with clarity the consequences of the proposed merger for Chicago. But the risks are enormous, and risk will be heightened by the fact that the interests of UP-NS in a well-functioning gateway will be greatly diminished. UP-NS will be less interested in well-functioning interchanges with other carriers and less interested in avoiding congestion that clogs

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[43] Workpaper, "Chicago Daily Passenger Trains.xlsx"; Workpaper, "Chicago Daily Intermodal and Carload Units.xlsx."

Clearing Yard or routes used by others across the terminal (particularly with its EJ&E bypass option).

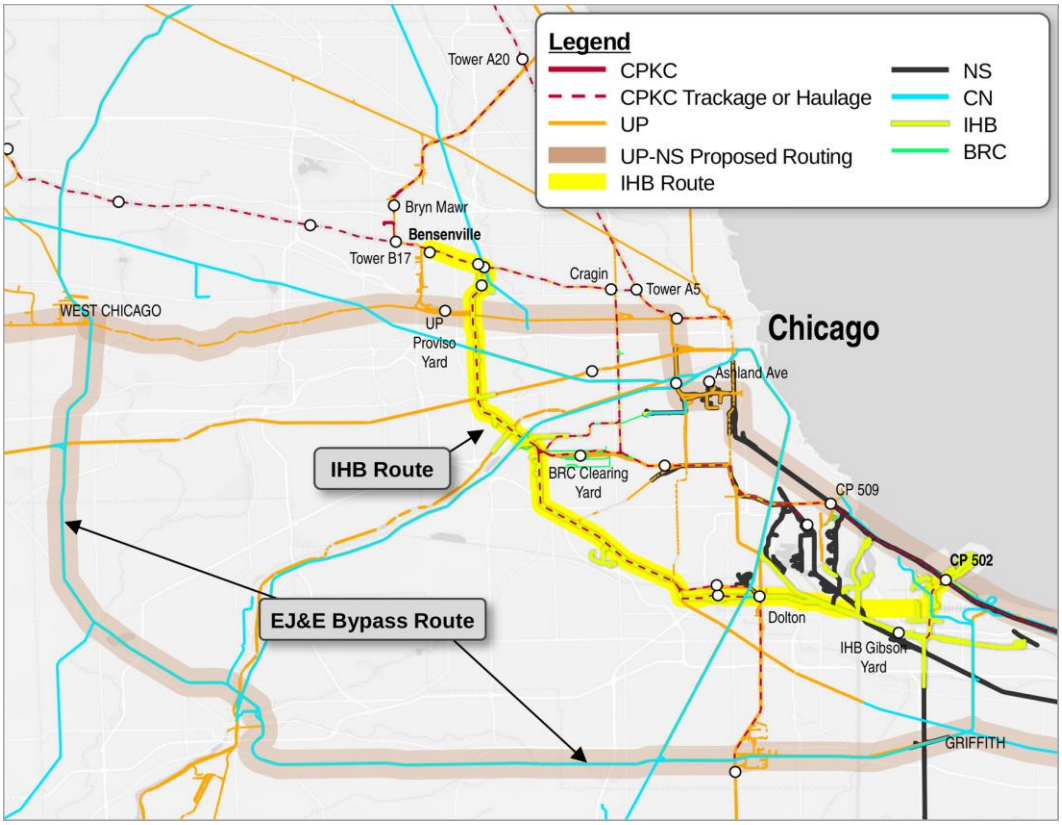
142. Among the key risks posed by the UP-NS merger in the Chicago area is the efficient functioning of BRC's Clearing Yard as the processing hub for much of the manifest carload interchange among carriers in Chicago. CPKC depends on Clearing for its interchange of manifest traffic with CSXT, BNSF, CN, and many other smaller carriers at Chicago. BRC builds blocks for direct movement deep into every carrier's network allowing traffic destined for interchange via Clearing to be handled more efficiently and with less processing upstream and/or downstream. For example, because Clearing builds blocks for three downstream yards on the NS network (Elkhart, Bellevue and Conway), 15 on CSXT, 10 on UP, and seven on BNSF, in addition to blocks for all of the smaller railroads serving Chicago (*see* Figure 3 above), CPKC and others can reallocate upstream processing capacity to build a clearing block instead of separate, lower-density blocks for all of these destinations.

143. Applicants' stated plan to remove traffic from Clearing might superficially appear to enable more of Clearing's capacity to be used for other interchange flows, but the reality is likely to be quite different. UP's past patterns, coupled with UP-NS's post-merger incentives, suggest a much more problematic outcome: UP-NS is likely to rely less on Clearing to support efficient day-to-day flows of traffic to others, but to make *greater use of Clearing* as a backstop to protect the fluidity of the UP-NS network at the expense of others. In other words, to overcome challenges faced by UP-NS in their manifest network, where new blocking patterns may stress the capacity of other facilities, UP-NS is likely to treat Clearing as a form of "bladder" into which it would dump overflow traffic during high traffic periods.

144. UP has heavily over-relied on Clearing Yard in the past to dump traffic. For the first nine months of 2026, UP delivered [redacted] cars (about [redacted] cars per day) to CPKC via the BRC. Meanwhile, only 76 cars were delivered to UP through the BRC in that same period, with CPKC instead relying on its direct interchange with UP rather than via BRC. This illustrates UP's overreliance on Clearing Yard to process traffic that it in many cases should have processed itself.

145. CPKC's access to IHB's Gibson Yard is vitally important. Gibson Yard is an important interchange location, including for automotive traffic, and CPKC regularly uses it for that purpose. The value of that access will only increase as the requested expansion of CPKC's Michigan trackage rights enables CPKC to handle new traffic.

FIGURE 12
IHB ROUTE AND OTHER CHICAGO RAIL CONNECTIONS



146. As Mr. Adolph Gameiro explains, UP's acquisition of NS would transfer to UP NS's effective veto over investments by IHB arising from NS's share of Conrail's 51% stake in IHB. Unlike today's independent eastern carriers (NS and CSXT), which have every incentive to support IHB's role in providing efficient and neutral connections with all western carriers (including CPKC), UP will not have those incentives given its western route structure. The Board should remove NS's veto (as addressed in Mr. Gameiro's Verified Statement) and take steps to ensure the availability of the IHB route for all Chicago carriers.[44]

147. CPKC also depends on efficient access to UP's "Techny Line" to connect Bensenville Yard with CPKC's route between Chicago and the Twin Cities. The Techny Line extends from CPKC's line at Bryn Mawr to Tower A-20 as shown in Figure 13 below. UP has its own route between the Twin Cities and Chicago, and its acquisition of NS will give it heightened incentives to limit CPKC's competition with UP using the Techny Line, especially if CPKC gains expanded access to shippers in Southeastern Michigan. CPKC operated around eight freight trains on this line per day in 2026[45] (which is typical and consistent with past volumes). Were CPKC to have to route these trains via its alternative route via Tower A-5, they would be in direct conflict with Metra MD-W, MD-N, and NCS line trains as well as Amtrak passenger trains between Chicago and Milwaukee (which operate between Tower A-5 and Tower A-20). In addition, CPKC's route via Tower A-5 does not support a progressive connection with the BRC lines on which CPKC depends to reach Clearing Yard and connections

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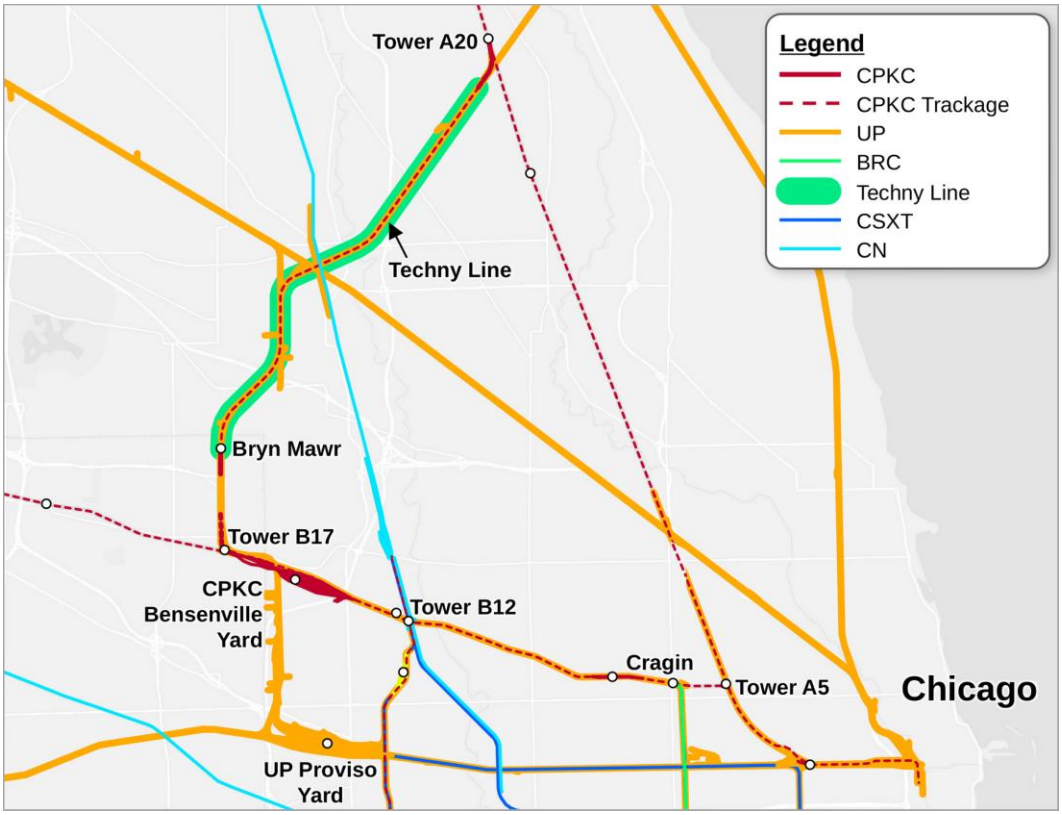
44 *See* Verified Statement of Adolph Gameiro, § IV.A.2.

45 Workpaper, "Shermer_BrynMawr_Crossings .xlsx."

with eastern carriers.[46] By contrast, operations via the Techny Line, Tower B-17, and Tower B12 enable a progressive connection between CPKC and BRC at Cragin Junction.

FIGURE 13
UP TECHNY LINE



148. Based on what Applicants have said in their Application, CPKC does not see any basis for concern that UP-NS operations on the Techny Line would need to interfere with CPKC's use of the line, but Applicants should be required to maintain CPKC's access to the line's capacity at no less than pre-merger levels.

149. The Board should weigh these risks in its assessment of whether to approve the merger. If it does approve the merger, the Board should impose conditions aimed at ensuring

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[46] There once was a progressive connection between CPKC's Chicago & Milwaukee Subdivision and BRC via a UP (former-CNW) track segment known as the Cragin Connection (or more recently the UP Cragin Industrial Lead), but UP severed that route in around 1990.

that Applicants' merger does not disrupt the efficient function of the Chicago gateway. Specifically, the Board should:

- Maintain perpetual oversight of the operational fluidity in the Chicago Terminal and retain jurisdiction to impose new conditions addressing any merger-related concerns that may emerge;
- Impose conditions limiting UP's ability to disrupt Clearing Yard by delivering traffic for processing back to UP-NS and impacting the fluidity of the Chicago terminal.
- Impose conditions ensuring that UP-NS does not have inordinate influence on the board of directors of BRC or IHB, and requiring NS to support CPKC's access to IHB as a bypass route for CPKC trains operating between Bensenville Yard and IHB Gibson Yard/Southeast Michigan;
- Grant CPKC's Responsive Application providing CPKC with continued access to UP's Techny Line connecting Bensenville Yard with CPKC's route between Chicago and the Twin Cities (the specifics of these rights are addressed in Section XI below); and
    - Establish metrics tailored to protect CPKC's ability to provide reliable and commercially effective service over the NS-controlled Chicago-Detroit route. Those standards should address dependable passage over the route, delays from dispatching, holding, slow orders or outages, and timely completion of necessary interchange, connections, and scheduled work. The standards should address specific operational concerns relating to Chicago, including transit times for CPKC trains across the Chicago Terminal between Bensenville Yard and CP-502 (near Burns Harbor, IN) on NS's Chicago Line and control of UP-NS's use of Clearing Yard. The Board should also adopt performance standards that protect timely access to the Chicago-Detroit route for CPKC trains offered and ready to move from Walkerville. Those standards should address the time from a valid offer to actual acceptance and from availability for entry to actual admission, including delays incurred while awaiting access outside Applicants' tracks. The standards should ensure that admission delays do not prevent CPKC from making

effective use of the route and completing its planned service. These standards should be set through the technical conference and subject to the 30/30 process.[47]

E. The New Orleans Gateway

150. Applicants plan significant but somewhat opaque changes to operations in the New Orleans gateway, including a partial shutdown of NS's Oliver Yard. Applicants claim that they will improve fluidity on the Back Belt ("Back Belt") route connecting the Huey P. Long Bridge with NS's New Orleans-Birmingham line by downgrading UP-NS interchange that occurs on the Back Belt (with trains stopping on the mainline for crew changes there) and by shifting BNSF-NS interchange to Avondale Yard on the west side of the Mississippi River.

151. Although CPKC does not have operating rights on most of the Back Belt, it uses a short segment of that line to access West Yard, CPKC's yard in New Orleans. CPKC once had its own route into West Yard, but as a result of a 1977 highway project CPKC's (then KCS's) line between Orleans Junction at Kenner, Louisiana and Shrewsbury was removed and CPKC gained rights over CN from Frellsen/Orleans Junctions to East Bridge Junction and over the NS Back Belt a few hundred feet from East Bridge Junction to CPKC West Yard connection track. CPKC serves the Port of New Orleans and interchanges with NS and CSXT via the New Orleans Public Belt Railway ("NOPB"), which operates into and out of West Yard. CPKC's connection to its West Yard, and the NOPB line via which interchange with CSXT and NS is carried out, are shown in Figure 14 below.

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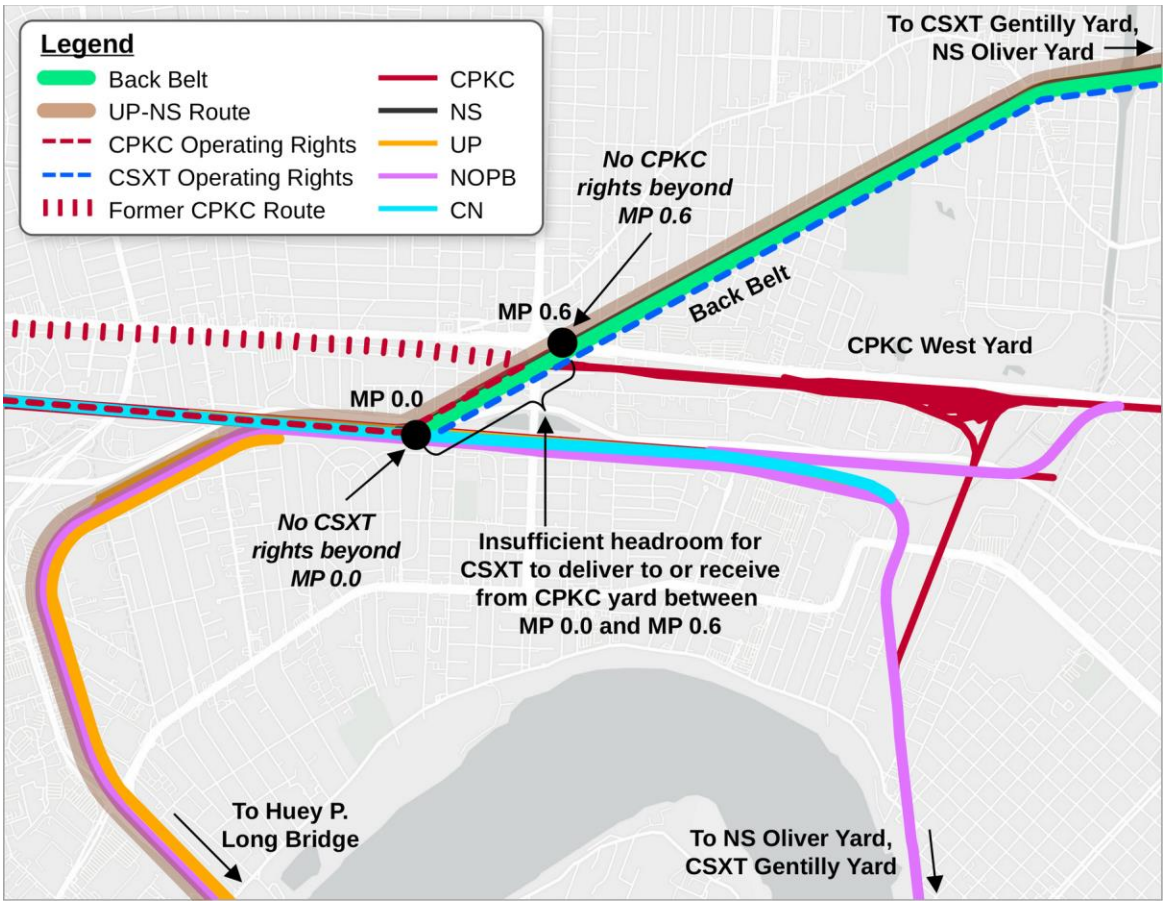
[47] The Board should similarly through the technical conference set performance standards designed to protect CPKC's practical ability to enter, traverse, and leave the Techny Line reliably. Those standards should address timely availability of a requested route, delays awaiting admission or clearance at connecting lines, reliable passage through the protected segment, and holding or stopping that impairs CPKC's operations or connections. The standards should be subject to the 30/30 process.

FIGURE 14

INABILITY OF CPKC AND CSXT TO INTERCHANGE VIA THE NEW ORLEANS BACK BELT



152. Applicants' planned reconfiguration of New Orleans area operations, if successful, would highlight and magnify the disparity between the UP-NS connection via the Back Belt and the relatively inefficient connection between CPKC and CSXT via NOPB. As a result of CPKC's own line having been removed as a result of the 1977 public works project, and despite an understanding at the time of the project that CPKC would retain its pre-existing rights, a Catch-22 has emerged so that CSXT and CPKC lack the rights necessary to interchange directly with one another: CSXT has the right to operate on the NS Back Belt to East Bridge Junction but it lacks rights on CN's track to progress beyond that onto CN so that its trains can back into CPKC's West Yard. And although CPKC can operate on CN beyond East Bridge

Junction, NS has taken the position that CPKC cannot operate trains on the Back Belt beyond the entrance to CPKC's yard, which is where CSXT's trains would need to be positioned to interchange via West Yard. As a result, CPKC cannot deliver trains to CSXT, and CSXT cannot deliver trains to CPKC. Instead interchange must take place in a relatively cumbersome fashion through the NOPB that is time consuming for customers.

153. The Board should carefully assess the impacts of the proposed merger at the New Orleans gateway and consider whether the current disparity is in the public interest. If it does approve the merger, the Board should impose conditions aimed at ensuring that Applicants' merger does not disrupt the efficient function of the New Orleans gateway and enabling direct interchange among all carriers at New Orleans via the Back Belt. Specifically, the Board should:

- Maintain perpetual oversight of the operational fluidity in the New Orleans Terminal and retain jurisdiction to impose new conditions addressing any merger-related concerns that may emerge;
- Require UP-NS to grant interchange rights for CPKC over the Back Belt, enabling a direct interchange between CSXT and CPKC via CPKC's West Yard; and
- Establish metrics tailored to the specific operational concerns relating to New Orleans, including transit times for CPKC trains moving to and from CPKC's West Yard. The metrics should be set through the technical conference and be subject to the 30/30 process.

V. THE CONDITIONS CPKC SEEKS IN THE EVENT THE BOARD ALLOWS UP AND NS TO COMBINE WOULD BE OPERATIONALLY FEASIBLE AND EFFECTIVE

154. In this section I address some of the conditions CPKC has proposed in the event UP and NS are allowed to combine. All of the conditions that contemplate operational changes

on the part of CPKC would be feasible to implement, would enable CPKC to meet customer needs and accommodate the volumes Mr. John Brooks forecasts,[48] and would not disrupt operations of Applicants or others.[49] Appendix A below summarizes the anticipated incremental carload volumes associated with CPKC's proposed rights, including high and low estimates where available, and identifies the anticipated interchange or gathering points for that traffic. The operating plans discussed below describe how CPKC would handle that traffic.[50]

A. CPKC's Proposed Operations Between Robstown and Beaumont Would be Feasible and Efficient

1. CPKC Already Provides Efficient Through Service Over this Trackage

155. CPKC already conducts through service between Robstown and Victoria and between Rosenberg and Beaumont via the UP (and Houston Belt & Terminal Railway Company ("HBT")) lines shown in Figure 15 below. Those UP lines connect with the CPKC-owned segment between Victoria and Rosenberg, which includes CPKC's Kendleton Yard. In addition to overhead movements between Robstown or Corpus Christi on the southern end and Beaumont on the northern end, CPKC serves traffic to/from shippers served by the Port Terminal Railway Association ("PTRA") in Houston via a local train that operates between Kendleton and PTRA's

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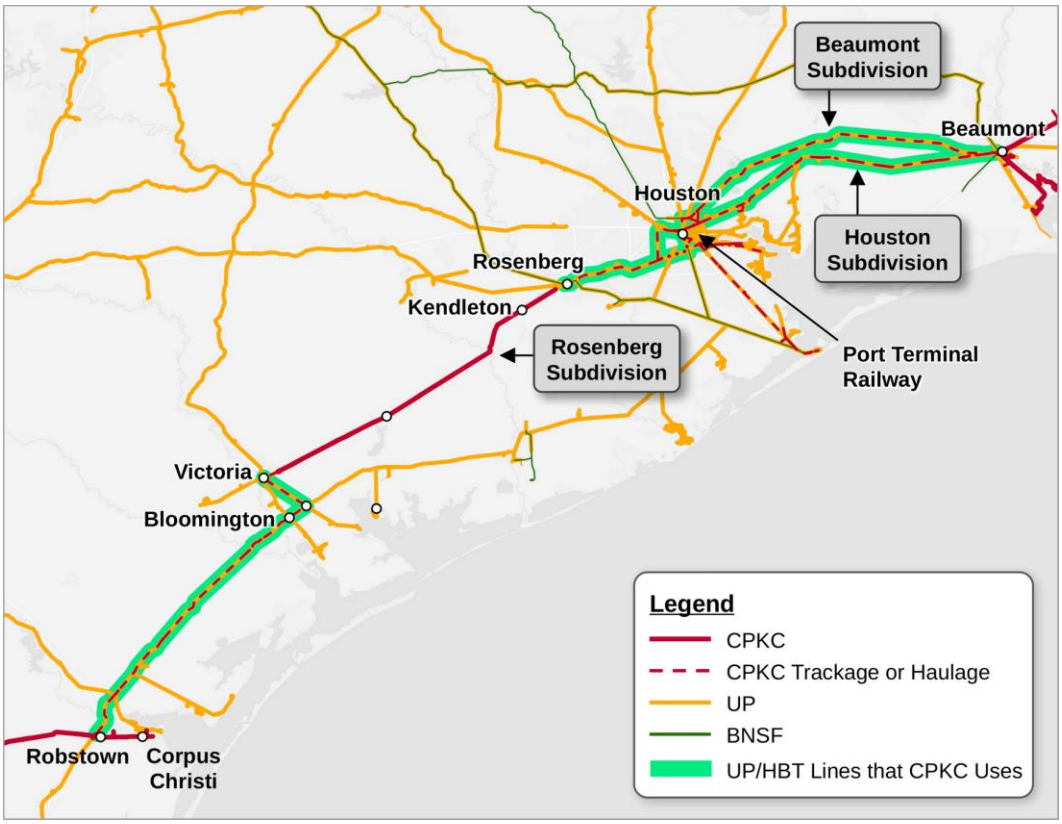
48 *See* John Brooks V.S. § VI.

49 I have reviewed CPKC's responsive applications. Based on my knowledge and experience of railroad operations, I do not anticipate that implementation of the requested rights and conditions would adversely affect CPKC employees during the first three years following implementation. The operations contemplated by those rights and conditions would be performed by CPKC employees. To the extent implementation affected CPKC employment, I would expect that effect to take the form of increases in headcount. Any employee adversely affected by implementation would receive the protections required by applicable law and Board precedent.

50 There is also a density chart appended to the responsive applications and accompanying my verified statement in those applications providing 2025 traffic density data.

North Yard. CPKC also originates and terminates certain traffic on its Victoria-Rosenberg line. These existing operations provide the operating backbone for the additional services contemplated by CPKC's proposed modifications to its trackage rights.

FIGURE 15
CPKC RIGHTS BETWEEN ROBSTOWN AND BEAUMONT



156. CPKC currently operates approximately 15 trains per day on its existing UP trackage rights between Robstown and Victoria and approximately the same number of daily trains on its rights between Rosenberg and Beaumont. Many of these trains change crews at CPKC's Kendleton Yard.

157. CPKC's operations include:

- Approximately four daily 100-Series trains:
    - Expedited trains 180/181 operating daily between Bensenville, IL and Interpuerto, San Luis Potosí, Mexico

- Expedited trains 174/175 operating daily between Bossier City, LA (near Shreveport) and Salinas Victoria, Nuevo León, Mexico

- Approximately three 200-Series manifest trains per day:
  - Manifest trains 274/275, operating four times weekly between Jackson, MS and Sanchez, Tamaulipas, Mexico
  - Manifest trains 280/281, operating daily between Shreveport, LA and Sanchez, Tamaulipas, Mexico

- Approximately seven on-demand 300, 500, and 800 Series trains per day carrying grain, refined products, soda ash, and finished automobiles; and

- Local train M75 operating approximately three days per week between Kendleton, TX and PTRA North Yard in Houston, TX.

2. CPKC's Overhead Operations Between Robstown and Victoria and Between Rosenberg and Beaumont Would Not Fundamentally Change

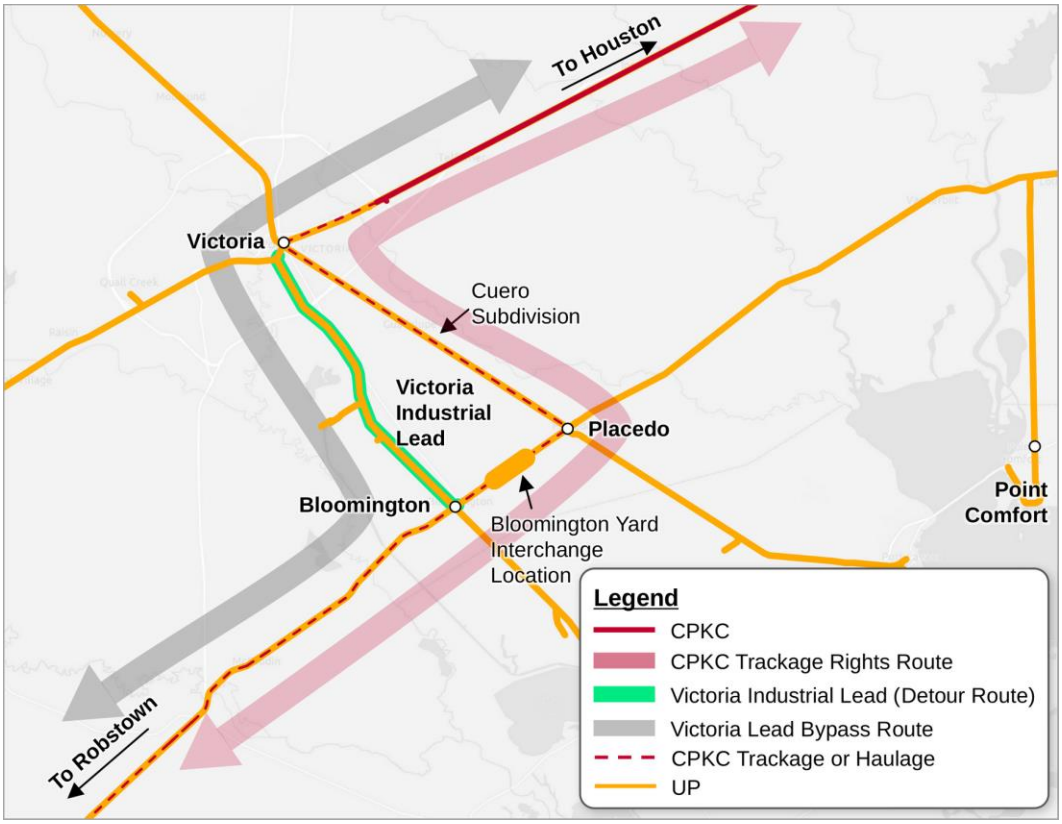
158. CPKC anticipates that it would continue to operate the same overhead trains that currently use the Robstown-Beaumont trackage rights, along with others as appropriate to handle available traffic volumes, whether or not the proposed conditions relating to these trackage rights are granted.

159. CPKC also anticipates that it would continue to have the ability to avoid congestion at Bloomington Yard or between Victoria and Bloomington on the Cuero Subdivision. UP's dispatchers [redacted] the Victoria Industrial Lead, which provides a route between Victoria and Bloomington that bypasses the Cuero Sub and Bloomington Yard to avoid congestion. Diversions of CPKC trains to this route increased from [redacted] of trains in 2022 to [redacted] in 2026.[51] When

[51] Workpaper, "CueroTripsForMerger.xlsx."

UP dispatchers are unable or unwilling to allow CPKC trains to use the bypass route, those trains often experience substantial congestion-related delays as a result of congestion at Bloomington. The detour route via the Victoria Industrial Lead is shown in Figure 16 below. The Victoria Industrial Lead is about 12 miles long and is subject to a 10 mile-per-hour speed limit.

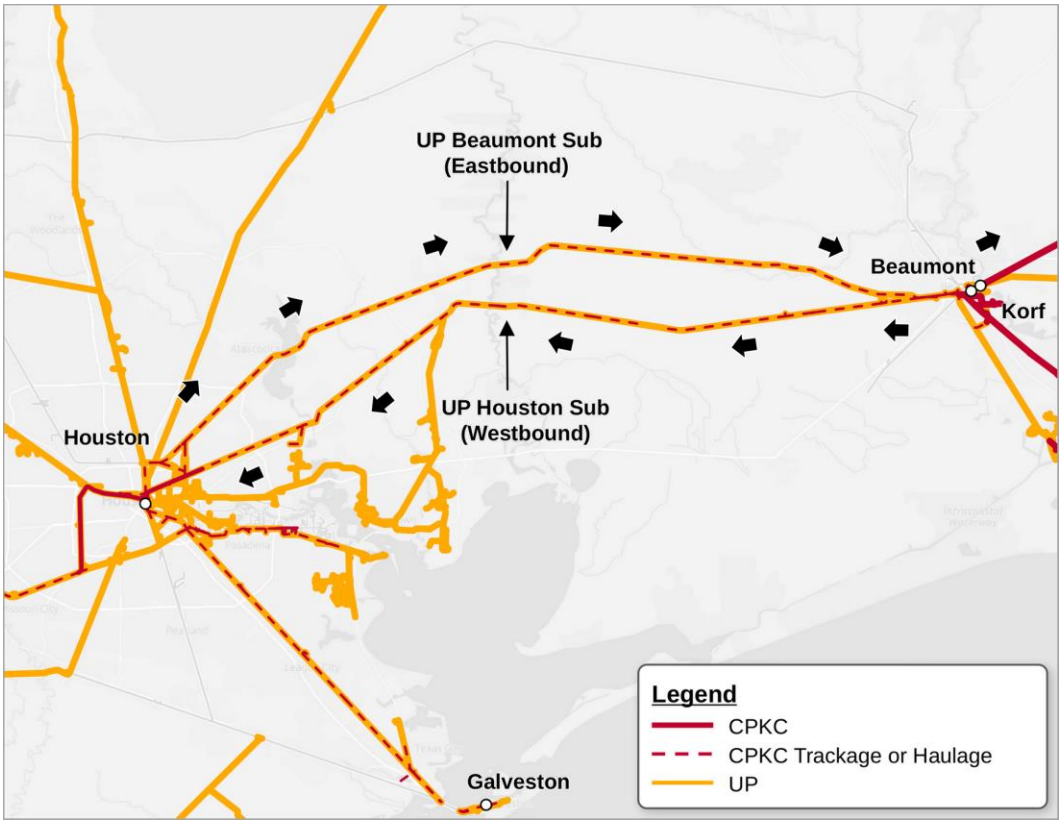
FIGURE 16
BYPASS ROUTE VIA VICTORIA INDUSTRIAL LEAD



160. CPKC believes it is vital that CPKC retain the ability to use this route, and it has therefore sought a condition requiring UP to grant formal rights to use that route, at its option and that of UP dispatchers (including for local customer service) as appropriate to ensure fluidity between Bloomington and Victoria.

161. Between Houston and Beaumont, CPKC's trains operate directionally consistent with UP's directional flow operating patterns, as shown in Figure 17 below.[52]

FIGURE 17
UP DIRECTIONAL OPERATIONS BETWEEN HOUSTON AND BEAUMONT



162. Eastbound CPKC trains operate over UP's Beaumont Subdivision between Gulf Coast Junction in the Houston Terminal and Langham Road in Beaumont, while westbound CPKC trains use UP's Houston Subdivision, beginning at Langham Road in Beaumont and entering the Houston Terminal adjacent to UP's sprawling and often congested Englewood Yard. CPKC has sought a condition confirming that UP may not discontinue CPKC's access to either the Houston or Beaumont Subdivision even if UP ceases this directional running scheme.

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52 *Amtrak Sunset Limited Complaint*, UP's Reply Statement and Evidence at 39.

163. Maintaining this directional flow is critical to CPKC's operations between Houston and Beaumont. Losing access to the Houston Subdivision would force CPKC's traffic in both directions onto the predominantly single-track Beaumont Subdivision, where widely spaced, relatively short sidings would materially restrict capacity. The approximately 29-mile gap between Hull and Workman is a particular bottleneck. Supporting CPKC's bi-directional operations on the Beaumont Subdivision would require substantial staging to arrange meets at Amelia, lengthening existing schedules. Alternatively, CPKC would be required to add additional trains that fit in the short sidings on this line, but the line lacks sufficient capacity for this. With bidirectional running on the Beaumont Subdivision, a substantial share of CPKC's trains would exceed siding length on the line: [redacted][53]

164. Nor could CPKC independently remedy the line's capacity constraints: UP controls dispatching and capital work, leaving CPKC dependent on UP both to accommodate opposing movements and to undertake the infrastructure improvements needed to relieve the bottlenecks.

165. UP has publicly extolled the value of directional running when defending its practice of operating Amtrak's eastbound Sunset Limited train with the current of flow via the Beaumont Sub route rather than "against the flow of freight traffic" on the Houston Subdivision. As UP explained, its directional running scheme "effectively increases line capacity and service reliability for all trains operating in the corridor by reducing the number of meets that would otherwise occur."[54]

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53 Workpaper, "Train Size Analysis UPNS Merger.xlsx."

54 *Amtrak Sunset Limited Complaint*, UP's Reply Statement and Evidence at 39-40.

166. Given UP's past statements, one might expect that UP would want to retain the directional running scheme. CPKC hopes that it does. But CPKC is concerned that UP's acquisition of NS will give it heightened incentives to look for ways to disadvantage CPKC's competition with UP-NS, such as for traffic moving between Mexico and points on NS's Southeast U.S. network. UP might decide that taking away CPKC's ability to use the Houston Subdivision (and removing all of CPKC's trains on that largely double-tracked UP route) would present a strategic tradeoff worth making: hampering CPKC's through service by exiling it to the low-capacity Beaumont Sub route while allowing UP (and BNSF and Amtrak) to use the higher-capacity Houston Sub route. The Board should not allow UP to attempt such an anticompetitive gambit.

3. CPKC's Access to Additional Traffic Would Be Operationally Feasible

167. The removal of existing traffic restrictions on CPKC's use of its Robstown-Beaumont rights, coupled with access to certain solely-served UP customers, would open up competition for shippers by allowing CPKC the opportunity to serve (a) traffic to/from shippers along the Victoria-Robstown lines over which CPKC operates; (b) traffic served by transloads on, or build-ins/build-outs connecting to, CPKC's Rosenberg Subdivision; and (c) traffic to/from shippers already accessed by CPKC but currently restricted to movements that touch CPKC's line between Corpus Christi and Laredo (*i.e.*, preventing movements between South Texas and CPKC's U.S. network north of Beaumont). I address CPKC's plan for handling that new traffic below.

(a) Customers Between Victoria and Robstown

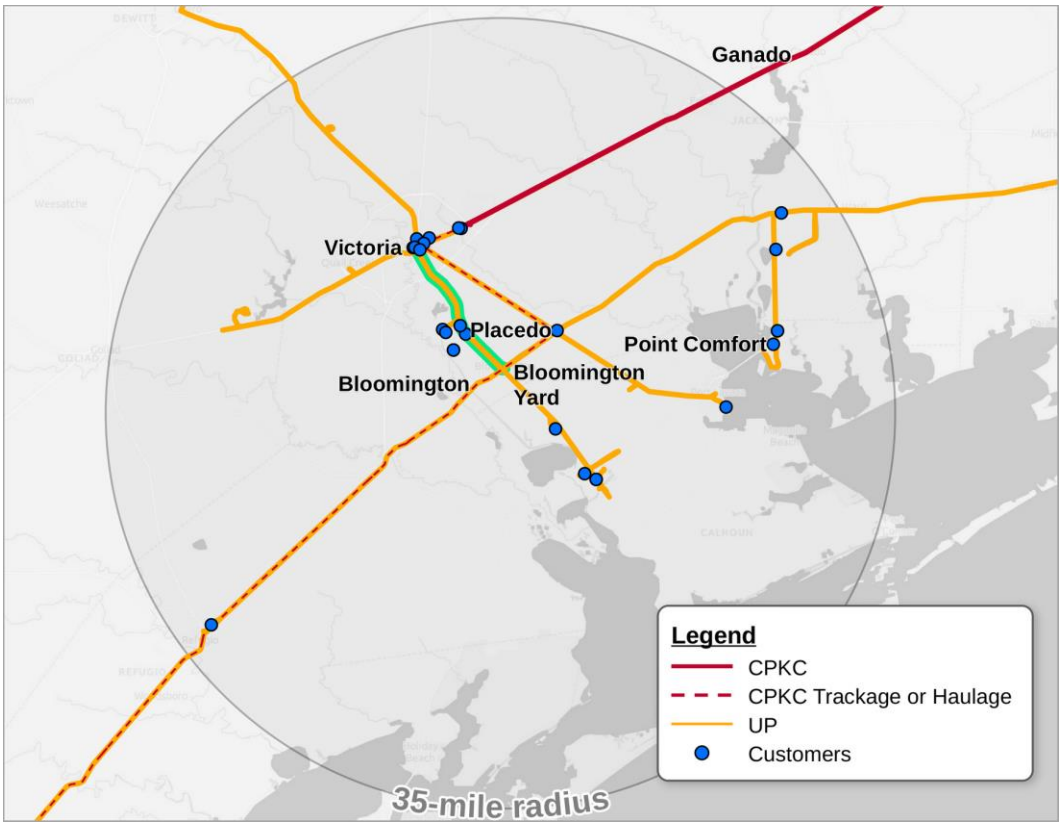
168. CPKC proposes that it be granted access to UP solely served customers adjacent to the lines south of Victoria, TX over which CPKC already operates. CPKC anticipates serving

traffic to/from these facilities via reciprocal switching provided by UP. As such, CPKC would interchange traffic at locations that accommodate UP's existing service patterns.

169. CPKC anticipates two distinct service patterns that line up with UP's services in this part of Texas, basically north of and south of Sinton, TX which sits between Bloomington and Robstown, TX. Specifically:

170. ***For shippers between Victoria and Sinton, TX,*** including at Point Comfort, TX and Bloomington, TX, CPKC would deliver and receive cars at UP's Bloomington Yard or other agreed location. The customer locations within this zone are shown in the map set forth in Figure 18 below. None of these locations is more than [redacted] miles from Bloomington Yard, and all are served by UP today, either directly or by interchange with the Point Comfort & Northern ("PC&N") shortline which interchanges with UP at Lolita, TX on UP's Angleton Subdivision. CPKC understands that locals operating out of Bloomington Yard serve most of these customers, while UP trains moving between Houston and Robstown handle interchange with PC&N.

FIGURE 18
PROPOSED RECIPROCAL SWITCHING FOR CUSTOMERS IN BLOOMINGTON, TX



171. UP local operations serve customers between Victoria and Sinton. For example, its local trains service customers located in the Victoria area and on the Seadrift Lead. UP also has Bloomington locals that serve Victoria customers and work the Victoria Industrial Lead and yard.

172. CPKC's existing manifest trains operating through Bloomington—manifest train pairs 274/275 and 280/281—would pick up and deliver traffic to/from the shipper facilities in this service zone. As discussed below, these trains have ample capacity to handle anticipated additional volumes, which CPKC estimates at approximately [redacted] loads per day and a comparable number of empties per day, 75 percent of which would be moving to/from CPKC's network north of Beaumont, TX.

173. According to the Application, UP is adding substantial capacity at Bloomington Yard that would take its processing capacity to 430 cars per day, while anticipating post-merger processing demand of only 290 cars per day. The excess capacity would go a long way toward supporting the additional sorting to support handoffs to/from CPKC, since most of the traffic CPKC anticipates handling is already processed by UP at Bloomington.

174. Accommodating CPKC's new shipper access between Sinton and Victoria would not overburden UP's operations or facilities. UP already provides first-mile/last-mile service to these customers. At Bloomington Yard, UP would build new blocks for CPKC, but CPKC's access would not add material volumes of *new* traffic to that facility or require any additional local train operations on UP's part.

175. CPKC nonetheless recognizes that investment in additional trackage at or near Bloomington Yard may be required to support the additional processing needed to support CPKC's new access and interchange.[55] CPKC would propose extending Bloomington Siding towards Placedo (to a total length of 20,000 feet) and installing a crossover between the main and the siding. This work would allow two trains (one north and one south) to simultaneously work in Bloomington Yard (or change crews) while leaving a through route open. This would also increase through train capacity at Bloomington, allowing four trains to meet and pass there if necessary to support traffic flows. CPKC would work with UP to design, fund and install the requisite facilities, but UP should be prohibited from resisting or delaying such work.

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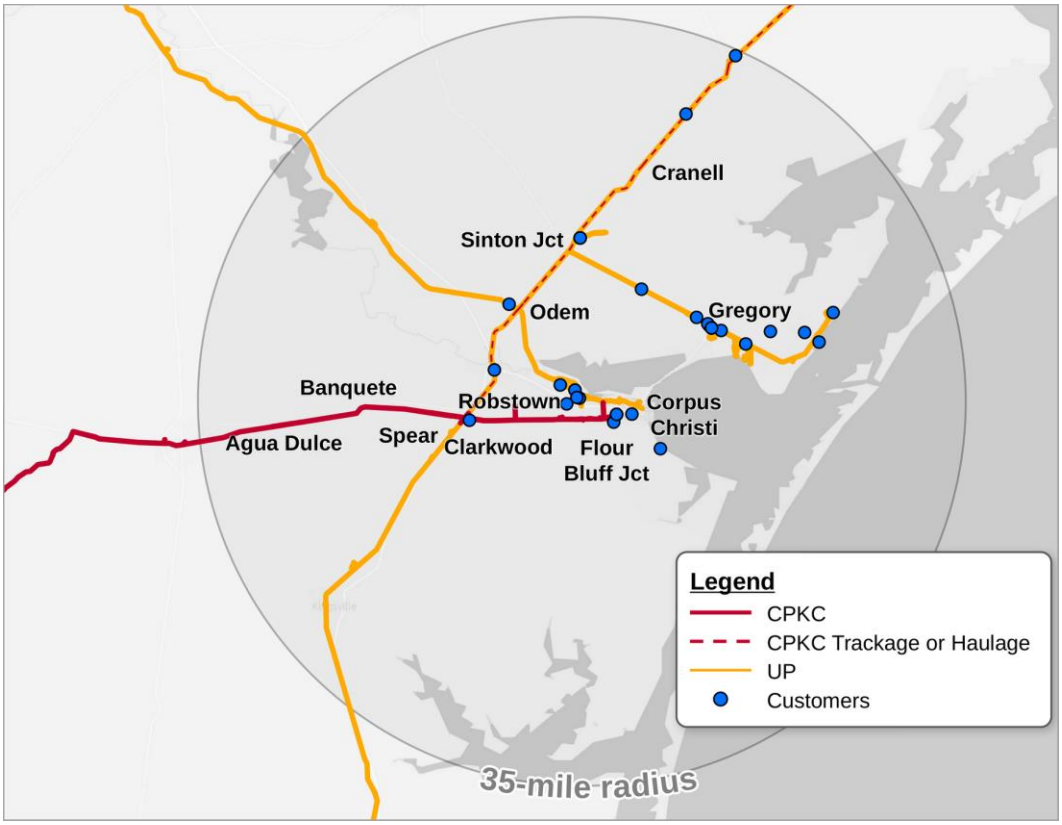
[55] Bloomington Siding is 16,156 feet today, with no crossover. When a UP or CPKC train works at Bloomington or waits for a crew, it blocks the entire siding regardless of the train's length. As currently configured, if a second train were required to work Bloomington it would be brought side-by-side blocking any through route.

176. ***For shippers located between Robstown and Sinton, TX***, CPKC would deliver and receive cars as part of the existing interchange between UP and CPKC at Corpus Christi. Key traffic points on this segment would include Corpus Christi and Gregory, TX. UP serves these points via locals based at Corpus Christi, and traffic from these points is routinely interchanged with CPKC at Corpus. CPKC anticipates that the same interchange operations would readily handle the additional volume of traffic attracted to CPKC line-haul service by the proposed new reciprocal switching access.

177. UP serves customers in this area through local assignments based at Corpus Christi, supplemented by over-the-road trains. The Corpus locals service customers in Sinton and Robstown with transfers to Odem.

FIGURE 19
PROPOSED RECIPROCAL SWITCHING FOR CUSTOMERS IN CORPUS CHRISTI, TX



178. CPKC anticipates that its existing operational design for traffic to/from Corpus Christi, including current interchange with UP there, could readily accommodate the additional volumes of traffic that CPKC would win through competition with UP. CPKC estimates that volume at between [redacted] and [redacted] loads and empties per day, 75 percent of which would be moving to/from CPKC's network north of Beaumont, TX. Currently CPKC picks up interchange traffic from UP at the Port of Corpus Christi-owned Common Interchange Yard. This traffic is brought back to CPKC's Corpus Christi Yard where local traffic is separated and separate blocks are built for movement to Mexico and points north. Mexico-bound traffic departs on Train 270, destined for Sanchez Yard (near Nuevo Laredo) and northbound traffic is brought to the Robstown Siding where it is picked up by Train 281, operating daily between Laredo and Shreveport. As discussed below, CPKC's manifest trains serving this route have ample capacity to accommodate additional volumes.

179. Inbound traffic would be sorted by CPKC at its Corpus Christi Yard and separated into blocks for interchange to BNSF, the Port of Corpus Christi, and UP. CPKC would deliver the UP block (along with that for Port of Corpus Christi) to the Common Interchange Yard where it would be picked up by UP.

180. Accommodating CPKC's new shipper access between Robstown and Victoria would not overburden UP's operations or facilities. UP already provides first-mile/last-mile service to these customers. The interchange facilities at Corpus Christi and the UP and CPKC operations at Corpus Christi also would have no difficulty accommodating the additional increment of railcars moving between UP and CPKC there as a result of CPKC's expanded customer access. UP already builds blocks for CPKC to pick up at the Common Interchange Yard, and there is ample room there to handle the modest additional volumes that CPKC

anticipates, including a separation of that traffic into northbound and southbound blocks. The common interchange yard has ample capacity with 68,385 feet of tracks that would accommodate the increased volumes interchanged between CPKC and UP. CPKC would pick up those blocks daily and deliver them to CPKC's yard in Corpus Christi for pick up by CPKC's through manifest trains.

(b) New Traffic Reached Via CPKC's Rosenberg Subdivision

181. Under restrictions imposed by UP, CPKC is not permitted to use its trackage rights to move certain traffic to and from facilities reached via CPKC's Rosenberg Subdivision between Victoria and Rosenberg. Of particular note, CPKC cannot handle traffic moving between transload facilities on the Rosenberg Subdivision and points north of Beaumont, and CPKC also may not serve any traffic to/from shipper facilities that might be reached via build-outs or build-ins connecting with the Rosenberg Subdivision. CPKC seeks a condition removing these restrictions.

182. CPKC would have no difficulty supporting the traffic opportunities unlocked by the removal of these restrictions. Were CPKC to serve new transload facilities, it would do so in the same manner that it serves existing customers on the Rosenberg Subdivision Line: via local service based at Kendleton. CPKC would anticipate that the same service pattern would apply to potential shipper access via build-outs or build-ins.

183. Were larger opportunities to materialize, CPKC would work with the customer to design new train service that met the customer's needs and invest in facilities needed to support that service. For example, CPKC could support the traffic of customers such as [redacted] at [redacted] TX, which would require a build-out of approximately [redacted] miles to reach CPKC's Rosenberg Subdivision. Were the prospective

customer interested in pursuing this opportunity, I expect it would represent a meaningful amount of traffic, and CPKC would be eager to make the investments in service and capacity necessary to ensure that the customer's needs were met.

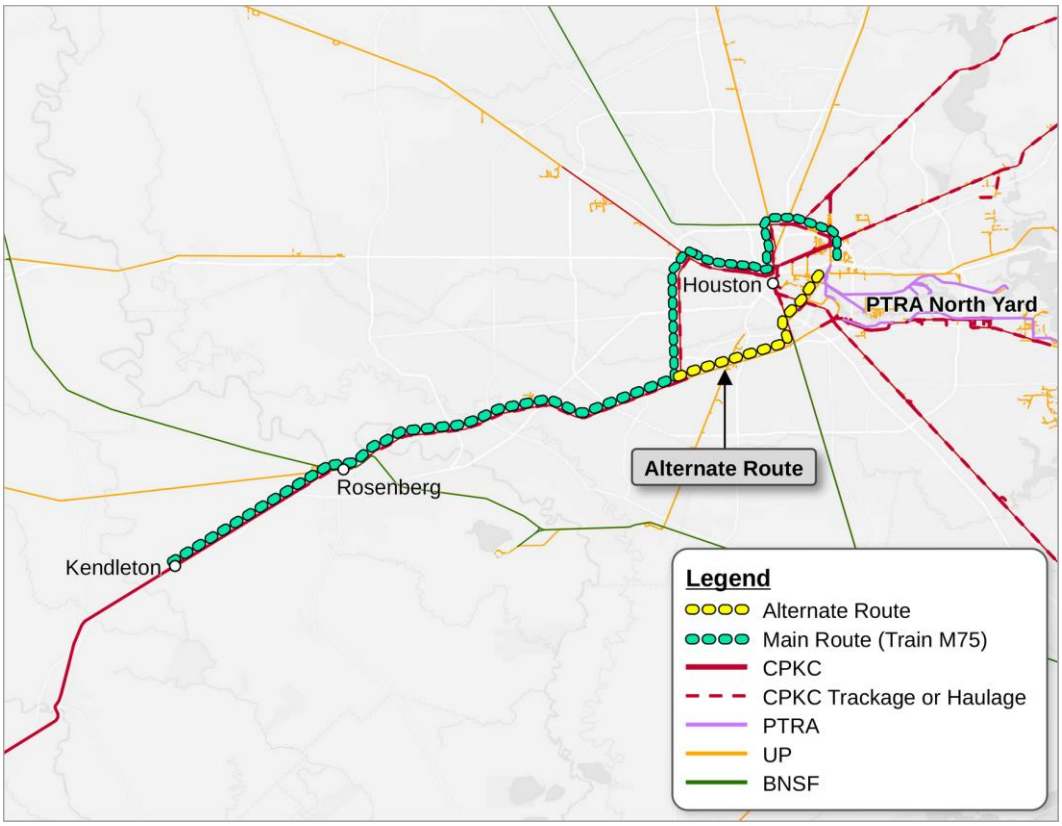
(c) Additional Traffic for Customers to Which CPKC Already Has Access

184. Removing restrictions on CPKC's use of its existing trackage rights to serve customers to which CPKC already has access would allow CPKC to attract additional traffic for customers served by the PTRA in Houston, and HBT customers to which CPKC was granted access in the Board's decision approving the *UP/SP* merger.

185. As noted above, CPKC currently serves traffic originated or terminated on PTRA via its local train M75, which operates approximately three days a week between Kendleton and PTRA's North Yard in Houston, as shown in Figure 20 below. Because of the current restrictions on CPKC's trackage rights traffic, CPKC's interchange with PTRA is geared toward traffic moving between Houston and points reached via CPKC's Corpus Christi-Laredo line. Traffic moved by Train M75 is picked up or delivered at Kendleton by CPKC's Mexico-U.S. manifest trains (274/275 and 280/281).

186. It would be in the public interest for CPKC to be allowed to provide an additional competitive option for shippers by originating and terminating traffic at PTRA that was not required to move on CPKC's Corpus Christi–Laredo line. Kendleton Yard has the capacity to handle all of this traffic, and CPKC owns property adjacent to Kendleton Yard that would support expansion of that facility if necessary.

FIGURE 20
ROUTE OF EXISTING CPKC TRAIN M75 BETWEEN
KENDLETON AND HOUSTON NORTH YARD



187. CPKC anticipates adapting the same operating framework to handle additional PTRA (and HBT) volumes moving between Houston and points north. Train M75 would provide local service between Kendleton and PTRA North Yard, and trains 281 and 275 would move the traffic north into the CPKC network, with further processing at Shreveport and beyond. Train M75 could handle considerable additional volumes of traffic, as it averages only [redacted] cars delivered to PTRA and [redacted] cars received from PTRA today. As volume increases CPKC would anticipate increasing the frequency of operation of this train to five days per week.

188. Initially, CPKC would pick up and deliver all traffic to/from PTRA and sort northbounds and southbounds at Kendleton. As volumes grew, CPKC would anticipate PTRA building separate blocks for CPKC containing southbound and northbound traffic. Such

treatment is consistent with PTRA's practice of building multiple blocks for UP (*e.g.*, for UP's Englewood and Settegast yards), and CPKC understands that PTRA has sufficient capacity and is willing to perform this work were CPKC to have the right to move PTRA traffic northbound.

189. Depending on longer-term growth in volumes, CPKC would anticipate working with PTRA to build full trains that CPKC would power, crew and launch from PTRA's North Yard.

190. In 1996, CPKC also was granted access to a number of customers on the HBT, which is now operated by UP and BNSF. With the right to use CPKC's trackage rights on UP for traffic moving between Houston and points north, CPKC may have the ability to attract additional volumes from those customers, which we would serve via switch access provided by UP or BNSF.

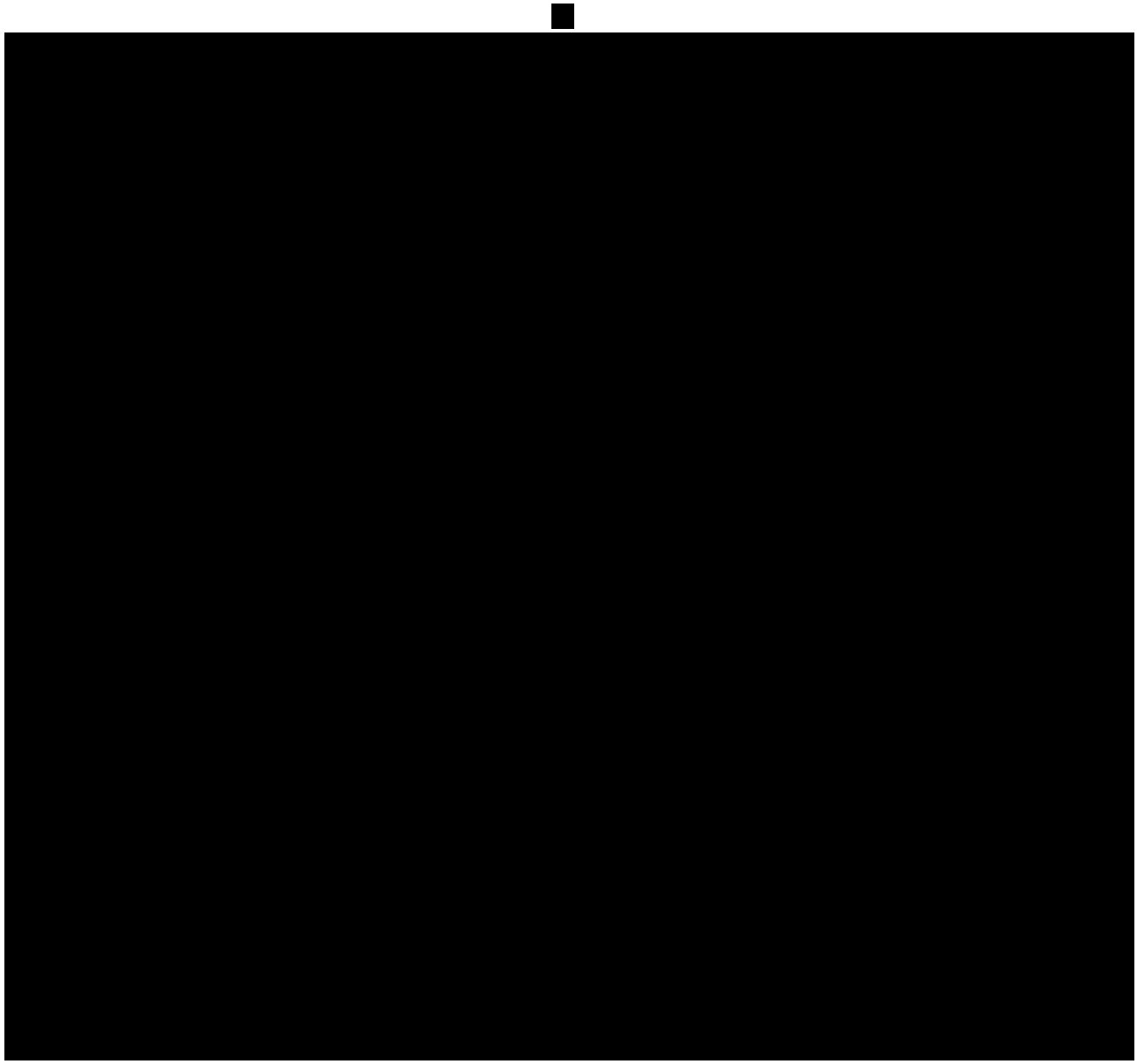
4. CPKC's Existing Manifest Train Network Would Handle the Additional Traffic for Which CPKC Would Be Allowed to Compete

191. The new traffic handed off by UP at Corpus Christi and Bloomington, and the new traffic interchanged with PTRA in Houston or generated by former-HBT customers, would be handled by the same Laredo-Beaumont manifest trains that already operate over the line today. Manifest train pairs 274/275, 280/281, and 270/271 (a manifest train pair operating twice a week between Corpus Christi, Texas and Sanchez, Tamaulipas, Mexico) would deliver and pick up traffic at Corpus Christi, Bloomington, and Kendleton and move traffic into the CPKC network to destination or connecting gateways.

192. There would be ample capacity on these trains for additional traffic, including via increased frequency of operation. Table 1 shows the average train lengths of each of these trains and the capacity (or "headroom") available to pick up or deliver additional cars at Corpus Christi, Bloomington, and Kendleton. There is ample capacity to handle the volume of traffic

CPKC anticipates, and additional capacity would be created by increasing the frequency of these trains in the event traffic exceeds forecasts.

TABLE 1
WORK PLAN AND AVAILABLE CAPACITY FOR CPKC[56]
EXISTING MANIFEST TRAINS BETWEEN BEAUMONT AND ROBSTOWN



56 Workpaper, "Train Size Analysis UPNS Merger.xlsx."



5. Shifting Dispatching Responsibility for the Victoria-Robstown Segment to CPKC Would Foster Improved Operational Coordination

193. CPKC is by far the largest user of the UP lines between Victoria and Robstown over which CPKC operates, with train counts that significantly exceed those of UP and BNSF combined. CPKC could readily support dispatching of operations over this trackage. CPKC's dispatcher at the Spring, TX Joint Dispatching Center where UP dispatches the Robstown-Victoria line already handles the dispatching of trains on CPKC's lines south of Robstown and between Rosenberg and Victoria. It would be highly efficient for that dispatcher to also handle the middle segment of the route for CPKC trains moving between Rosenberg/Kendleton and Laredo, along with UP and BNSF trains in that corridor (*i.e.*, Victoria-Robstown).

194. CPKC would welcome UP's voluntary transfer of these dispatching responsibilities to CPKC, but CPKC imagines that UP would not want to give up that operational control, and CPKC is not insisting that such a transfer occur unless UP's continued dispatching generates outcomes that fall short of appropriate performance standards. In that event, a transfer of responsibility to CPKC could be swift and seamless. CPKC would expect that the potential for such a transfer will incentivize UP to perform more effectively.

VI. CPKC's Proposed Access to Customers Near Baton Rouge Would Be Feasible and Efficient

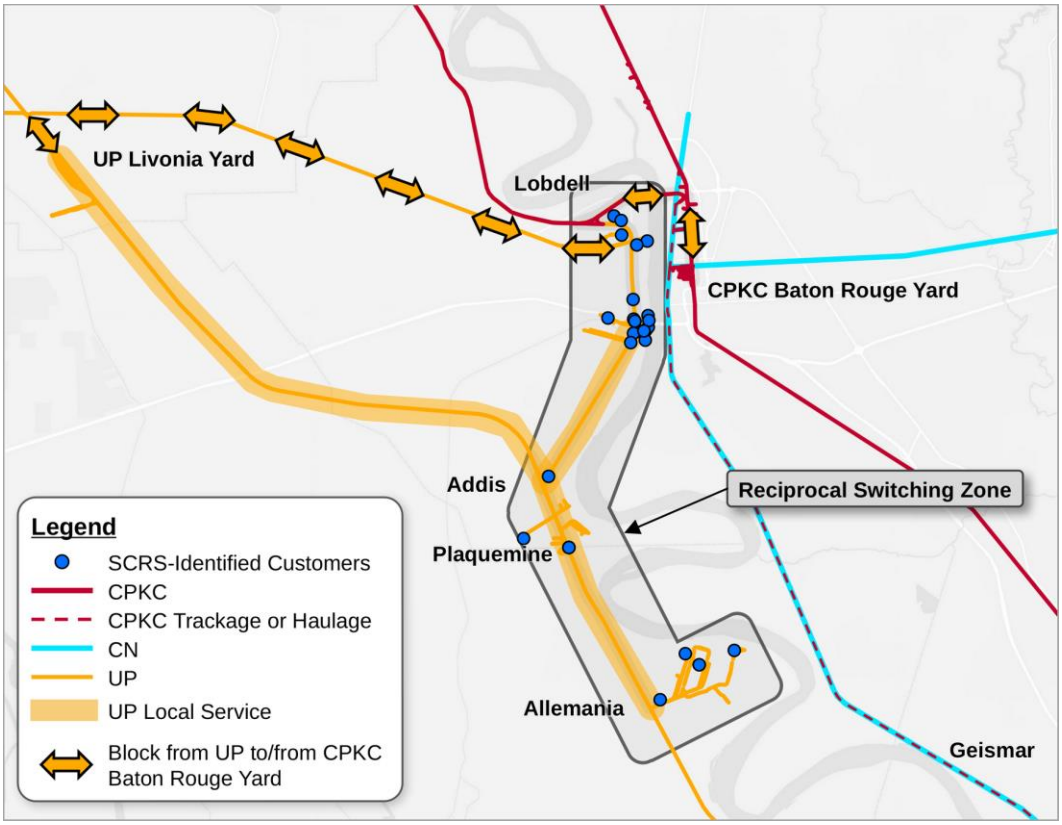
1. Access to Customers Via Reciprocal Switching Is Feasible and Straightforward

195. The reciprocal switching access CPKC seeks to UP-served customers in the vicinity of Baton Rouge would be feasible and would not disrupt UP's operations in the area. UP serves these customers via local train service linked to UP's Livonia Yard, and UP interchanges with CPKC daily at Baton Rouge via service also based at Livonia. This would

make it simple to augment the current interchange with volumes to/from additional Baton Rouge-area UP-served customers.

196. CPKC's proposed zone of reciprocal switching access is shown in Figure 21 below. The Board should require UP to provide reciprocal switching between CPKC and all eligible existing and future UP sole-served facilities within a reciprocal switching zone that encompasses all shipper facilities on or reached through the West Baton Rouge route extending from Lobdell to Addis over the Avoyelles Subdivision alignment and necessary connecting trackage at Addis, and continuing south over the Livonia Subdivision to MP 79.7, including the siding and industrial trackage along that route and the customer leads and connections necessary to reach the covered facilities.

FIGURE 21
PROPOSED RECIPROCAL SWITCHING FOR CUSTOMERS IN BATON ROUGE



197. UP's current service plan for these customers could readily support reciprocal switch access for CPKC. Customers south of Addis, LA at Plaquemine and Allemania are served by a UP local based in Addis, and a local that moves traffic gathered at Addis to/from Livonia Yard. Customers north of Addis along UP's track that parallels the west side of the Mississippi River between Anchorage and Port Allen are served by a UP local based at Livonia.

198. At Livonia, UP today builds a CPKC interchange block and delivers that block daily to CPKC's Baton Rouge Yard via the UP Anchorage Subdivision, connecting to the UP Avoyelles Subdivision at Anchorage Junction (MP 621.0 Anchorage & MP 10.4 Avoyelles), thence to CPKC's New Orleans Subdivision at Lobdell (MP 12.2 Avoyelles/MP 780.7 New Orleans). UP's existing operation could readily absorb the additional cars moving to/from CPKC as a result of CPKC's new reciprocal access to shippers in the area. UP-CPKC interchange volumes average [redacted] cars delivered to CPKC by UP and [redacted] cars picked up by UP from CPKC at CPKC's Baton Rouge Yard.[57] The UP train that handles this traffic, and the Livonia Yard operation that processes this block for interchange, have ample capacity to add the additional cars—anticipated to be approximately [redacted] cars per day in each direction—that CPKC could attract were it to have access to compete to win these customers' business.

2. Converting CPKC's Access from Reciprocal Switching to Direct Access Via Trackage Rights Would Be Feasible and Improve Efficiency

199. CPKC proposes conditions enabling it to convert to serving Baton Rouge-area UP customers directly via trackage rights if UP's reciprocal switching service fails to support competitive levels of service. The trackage rights would extend from Lobdell to Allemania as

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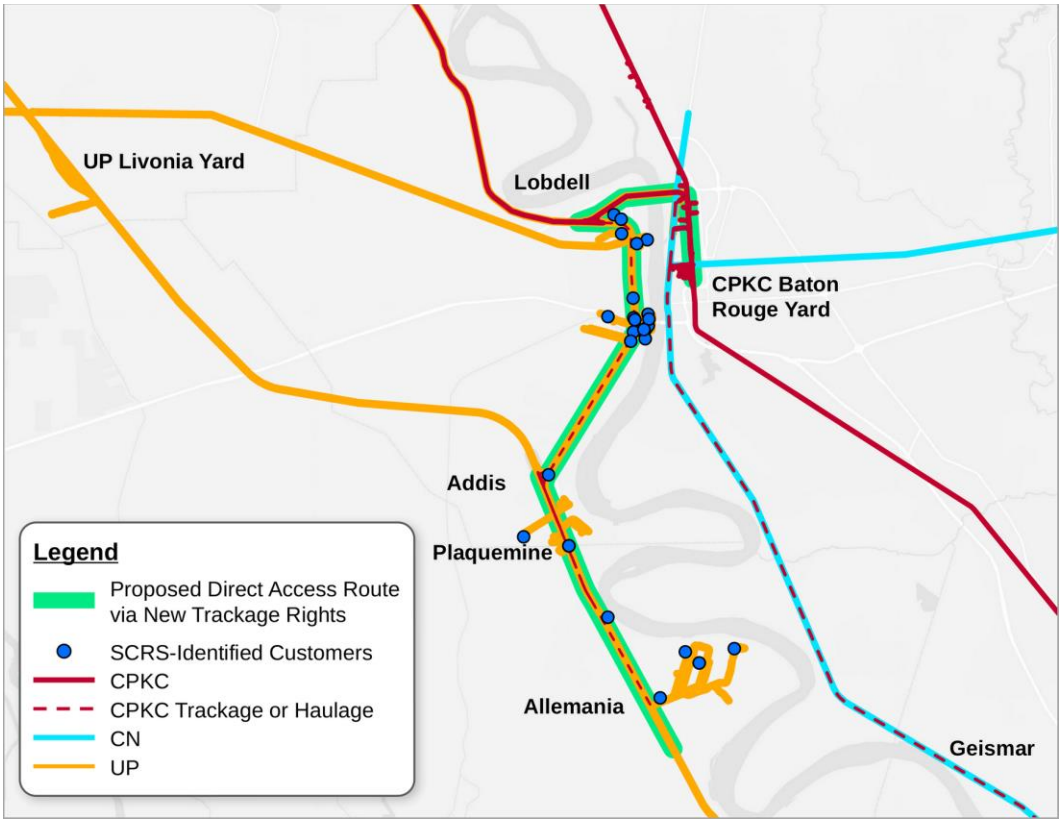
[57] Workpaper, "Baton Rouge Interchange Data.xlsx."

shown in Figure 22, and include sufficient headroom beyond the customer turnout at Allemania to provide headroom for CPKC trains serving facilities there. This would be a very straightforward and feasible switch in operating protocols in the Baton Rouge terminal area, and would in fact reduce workload at UP's crowded Livonia Yard.

200. CPKC would establish a new local turn service that operates from Baton Rouge across the Mississippi River to Lobdell, on the UP Avoyelles Sub to Addis, and down UP's Livonia Sub as far as Plaquemine and Allemania to service the industries to which CPKC would gain access. CPKC would add an additional set of locomotives to its Baton Rouge assignment pool to support this service. The operating plan for this service is shown in Figure 22 below.

FIGURE 22
CPKC PLAN TO SERVE CUSTOMERS NEAR BATON ROUGE, LA DIRECTLY



201. This daily operation would require coordination with both UP and the customers CPKC would serve, and CPKC would work with these parties to identify an optimal slot for its operations that meets the needs of all parties. There should be no obstacle to this arrangement being workable, provided UP is reasonable and cooperative. The joint UP and CPKC access to customers on the Chiason Branch near Beaumont provides an illustration of how this can work effectively. There, UP and CPKC have worked out access to shared customers during separate time windows that avoid the railroads getting in each other's way.

202. Direct service by CPKC would be advantageous in at least two respects. It would reduce UP's need to devote capacity at its Livonia Yard to the processing of cars being switched to CPKC. And it would support faster transit times for CPKC's customers, by eliminating the time required for intermediate handling by UP at Livonia Yard.

3. CPKC Can Efficiently Handle Traffic to/from These Customers Via Its Existing Service Design

203. The traffic generated by CPKC's new customer access could readily be handled within its current manifest train design. CPKC operates a manifest train pair, 268/269, between Baton Rouge, LA and Shreveport, LA six days per week. CPKC also operates daily manifest train L60, in both directions between Baton Rouge and New Orleans.

204. Both sets of trains have ample capacity to handle the anticipated volume of traffic moving to/from the Baton Rouge area shippers to which CPKC would have access. Trains 268/269 would move traffic destined to points north of Baton Rouge. Train 268 (southbound from Shreveport to Baton Rouge) averages [redacted] Train 269 (northbound from Baton Rouge to Shreveport) averages [redacted] The design length for these trains is 10,000 feet, and the contemplated additional traffic would not approach 10,000 feet.

205. Train L60 would move traffic to destinations south of Baton Rouge. Train L60 averages [redacted] feet southbound from Baton Rouge to New Orleans and [redacted] feet northbound from New Orleans to Baton Rouge. Given the ample capacity headroom on these trains, the additional daily traffic volumes could be added to them without compromising safety or train performance, as shown in Table 2 below.

TABLE 2
WORK PLAN AND AVAILABLE CAPACITY FOR CPKC[58]
EXISTING MANIFEST TRAINS SERVING BATON ROUGE

[redacted]

206. CPKC's Baton Rouge Yard has ample capacity to handle a higher volume of interchange with UP and to process the cars into CPKC's northbound and southbound manifest

58 Workpaper, "Train Size Analysis UPNS Merger.xlsx."

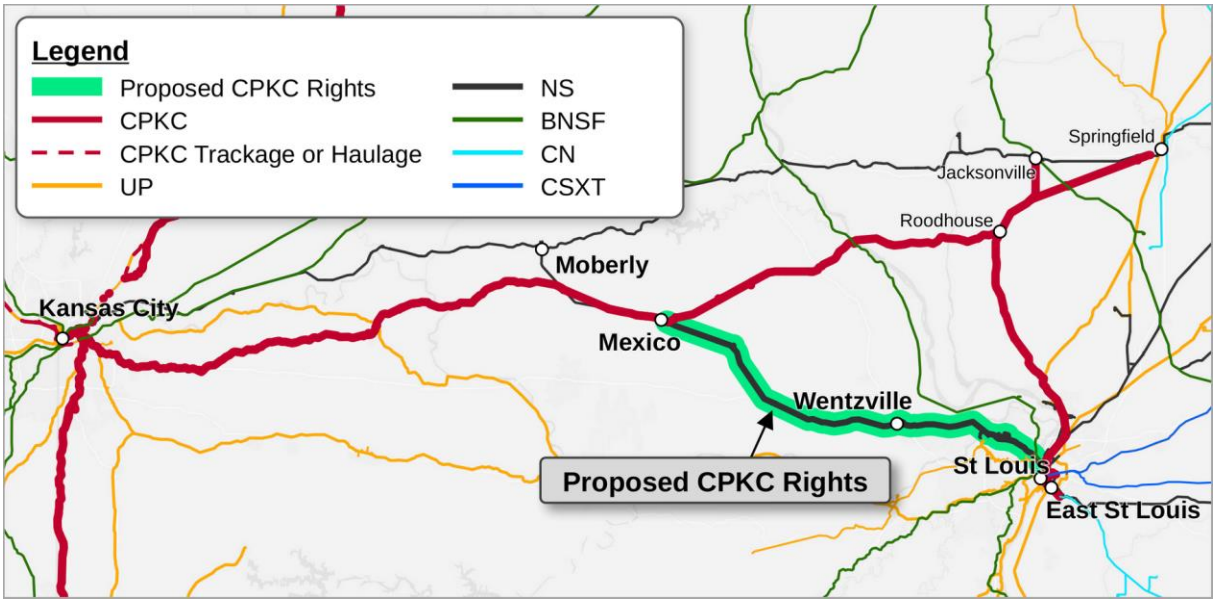
[redacted]

trains as described above. Baton Rouge Yard has a maximum operational capacity of 525 cars and the design model calls for the processing of a volume well under that capacity.

VII. CPKC's Proposed Operations Between East St. Louis and Mexico, Missouri Would Support Strengthened Competitive Options Between Kansas City and St. Louis

207. CPKC proposes to acquire new trackage rights over NS's line between Mexico, Missouri, and St. Louis, and via TRRA's line connecting NS with CPKC's network in East St. Louis. The proposed Mexico-St. Louis rights are shown in Figure 23 below.

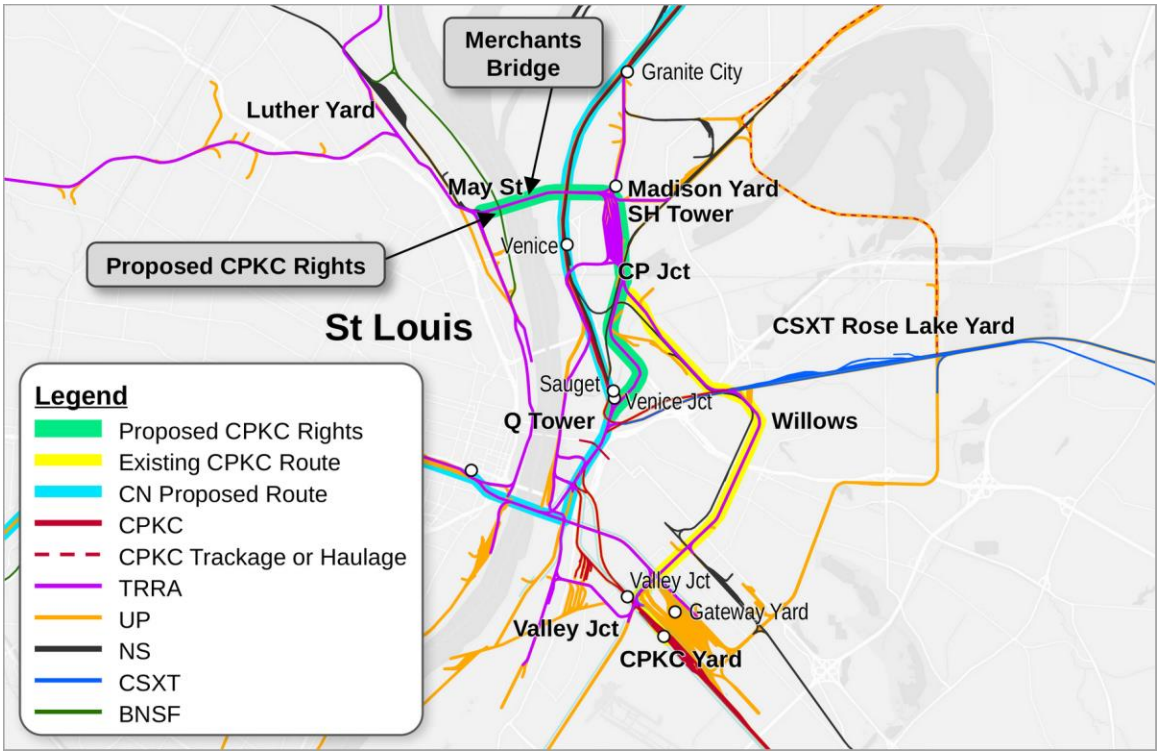
FIGURE 23
CPKC RIGHTS BETWEEN MEXICO AND ST. LOUIS



208. The proposed rights on TRRA are shown in Figure 24 below. CPKC seeks full overhead trackage and operating rights in both directions from NS's connection with TRRA at May Street Interlock (where CPKC's rights on NS would end) to a reconnection with CPKC's trackage in East St. Louis, in order to "close the gap" between these two portions of CPKC's network. Specifically, CPKC would operate over TRRA's West Belt Subdivision from May Street to West Approach Interlock, over the Merchants Subdivision across the Merchants Bridge to SH Interlock, and over the Illinois Transfer Subdivision to CP Junction and Valley Junction.

209. The Board should grant full overhead trackage and operating rights for CPKC over each of these segments without restrictions that would prevent the proposed operations including between CP Junction and Q Tower. Those rights should permit CPKC to move traffic in its own account between the new NS route rights and its East St. Louis facilities and eastern interchange connections making the separately requested Mexico to East St. Louis rights operationally effective.

FIGURE 24
PROPOSED RIGHTS ON TRRA TRACKAGE



1. CPKC's Planned Overhead Operations Using Mexico-St. Louis Trackage Rights

210. New trackage rights between Mexico, MO and East St. Louis would provide CPKC the ability to enhance competition with a more direct route that is faster and about 45 miles shorter than its existing route via Roodhouse, IL. CPKC anticipates that it would improve

performance of trains using this route by approximately one to two hours as compared with CPKC's current service.

211. CPKC's use of the new route for its Kansas City-St. Louis trains would be carried out without downgrading the quality of service CPKC offers to customers served by its lines east of Mexico, MO (*i.e.*, Mexico-to-Springfield and Roodhouse-to-East St. Louis). Customers east of Mexico would receive the same level of service from CPKC going forward as they've had in the past.

212. CPKC currently operates approximately [redacted] trains per day on its lines between Kansas City and St. Louis (including traffic moving to/from CPKC's Springfield and Jacksonville Subdivisions):

- Manifest train pair 258/259 operates three days per week in each direction between Kansas City and St. Louis, with stops to pick up and/or drop blocks en route at Slater, MO; Mexico, MO; and Roodhouse, IL.
- Local K10 serves customer facilities between:
    - Slater, MO and Mexico, MO two days per week; and
    - Slater, MO and Mayview, MO three days a week.
- Local K11 serves customer facilities between:
    - Roodhouse, IL and Jacksonville, IL two days per week;
    - Roodhouse, IL and Mexico, MO two days per week; and
    - Roodhouse, IL and Springfield, IL one day per week
- Local K12 serves customer facilities between Roodhouse, IL and Jerseyville, IL five days per week and often runs into East St. Louis as needed.

- Various bulk trains operating on demand (averaging 1-2 per day) (a) serving major grain facilities, including at Corder, MO; Marshall, MO; Slater, MO; and Jacksonville, IL; and (b) between East St. Louis or the St. Louis gateway and Kansas City.

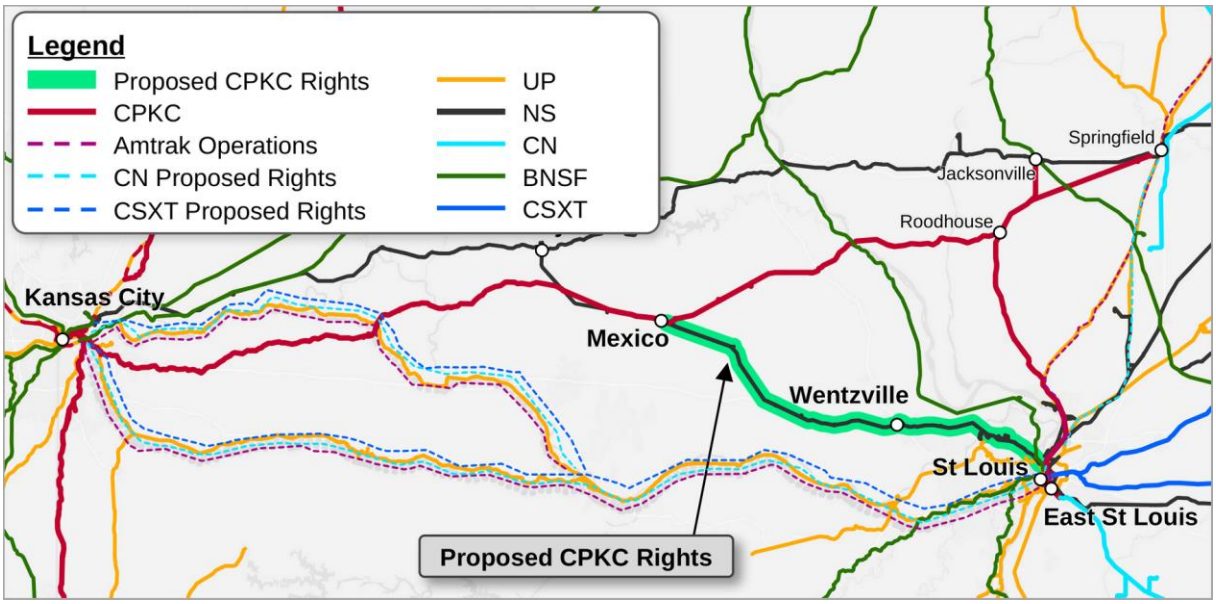
213. To more efficiently handle current CPKC volumes between Kansas City and St. Louis, CPKC would reroute manifest trains 258/259 and bulk trains moving between St. Louis and points west of Mexico, MO via the more direct trackage rights route, accounting for approximately one train per day. CPKC's trains would continue to change crews at Mexico, as they do today.

214. The proposed rerouting would not reduce CPKC's commitment to or ability to serve customers located on its existing lines east of Mexico. Local traffic currently handled by trains 258/259 between Mexico and Roodhouse would instead be handled by the existing K11/K12 local train operation, with local schedules coordinated with trains 258/259 at Mexico and East St. Louis. Existing customers would therefore retain their current service frequency while benefiting from a more efficient line-haul operation. The re-routing would not jeopardize the viability of CPKC's line between East St. Louis and Roodhouse, which handles manifest traffic moving between the St. Louis gateway and Jacksonville, IL.

215. [redacted]

216. An improved CSXT-CPKC-BNSF bridge route between St. Louis and Kansas City would provide an advantageous alternative to pending and anticipated divestiture/trackage rights proposals in this proceeding relating to UP's Sedalia Subdivision and River Subdivision lines between those gateways. Among the advantages would be reduced congestion in the Kansas City Terminal, since the bridged traffic could transit the Kansas City Terminal efficiently via existing CPKC routes (augmented by a confirmed right to connect with BNSF via the Incline Track/North End Freight Line route discussed above), and a lack of need to coordinate with Amtrak, which does not operate over the lines that CPKC would use between East St. Louis and Kansas City but does operate on the lines to which CN and CSXT seek access.

FIGURE 25
CPKC ROUTE VIA PROPOSED NS RIGHTS IN COMPARISON WITH CN OR CSXT RIGHTS OVER UP LINES



217. CPKC would establish a dedicated premium train service operating on an expedited schedule to serve intermodal traffic opportunities if sufficient volume was attracted to this route. CPKC anticipates that this train, if it were established, would also handle any automotive traffic moving between General Motors at Wentzville, MO and the Kansas City or

St. Louis gateways. Provided there was sufficient traffic, CPKC would operate these trains daily. CPKC could also support traffic volumes to/from GM and other customers at Wentzville via new local service between there and East St. Louis.

2. CPKC's Planned Local Service to Customers Adjacent to Proposed Mexico-St. Louis Trackage Rights

218. CPKC has proposed to gain access to shipper facilities located between Mexico, MO and St. Louis. CPKC anticipates that this access would be via reciprocal switching service provided by NS via NS's local serving yards at St. Louis (Luther Yard) and Wentzville, MO.[59]

219. At Wentzville, NS would assemble CPKC-destined traffic from customers located between Mexico, MO and Wentzville into blocks and place those blocks at an agreed interchange location at NS's Wentzville Yard. CPKC trains 258/259 operating on increased frequencies to meet customer needs, or a future dedicated premium train service (for GM automotive traffic if volumes warranted), would set out inbound blocks and lift outbound blocks as part of their scheduled movement through Wentzville.

220. NS would perform the same function at Luther Yard in St. Louis for traffic to/from NS-served customers between Wentzville and St. Louis. CPKC anticipates that UP-NS local train service would collect/distribute the traffic. At present, NS locals D16 and/or D20 operate as a turn from Moberly, MO to Wentzville, MO servicing local industries between Mexico, MO and Wentzville, MO; those locals could handle any traffic moving to/from CPKC. NS Local D67 or D99, which operate between St. Louis Luther Yard and Wentzville, serve GM at Wentzville, MO and any intermediate customers; those trains also could handle any traffic moving to/from CPKC. UP-NS would be required to build a Kansas City block for CPKC to

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[59] CPKC should have the option of serving these customers directly if volumes warrant.

pick up on our 259 at Wentzville, MO, and the same train would drop cars destined for industries between Mexico and St. Louis.

221. CPKC could handle additional manifest and automotive traffic on existing trains 258/259, which would have ample capacity to take on additional carloads. Train 258 from Kansas City to St. Louis currently averages [redacted] while train 259 averages [redacted] and neither train operates daily. The trains could grow to at least 8,600 feet and be able to meet or pass at sidings on the NS line between Mexico and St. Louis. Available capacity would increase significantly as the frequencies of these trains expanded to daily service, as shown in Table 3 below.

TABLE 3
WORK PLAN AND AVAILABLE CAPACITY FOR CPKC[60]
REROUTED MANIFEST TRAINS BETWEEN KANSAS CITY AND ST. LOUIS

[redacted]

[redacted]

3. NS's Mexico-St. Louis Line Has Ample Capacity for CPKC's Planned Operations

222. CPKC anticipates that its exercise of rights over NS's Mexico-St. Louis line would add approximately two trains per day to this line, plus potential run-through trains with CSXT, which CPKC is confident is well within the capacity of this CTC-signaled route. Applicants indicate that the route will host only about 10 trains per day in Year 5, taking account of organic growth, and Applicants forecast that their merger will add fewer than two additional trains per day to the line.[61]

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60 Workpaper, "Train Size Analysis UPNS Merger.xlsx."

61 *See* EI-34224 (filed Apr. 30, 2026) (Master Segment Table) (Segment 10206, NS St. Louis Subdivision between Moberly, MO and St. Louis, MO, showing Year 5 trains per day of 10.27 without merger and 1.56 trains per day of merger-related growth).

[redacted]

223. CPKC's overhead operations would not cause any new congestion or disrupt fluidity on this line. CPKC trains would move progressively onto and off of NS trackage at Mexico, MO. CPKC would stage eastbound trains on its own tracks at Mexico when necessary to await clearance onto the NS. CPKC would dispatch westbound trains in a manner that allowed them to exit the NS trackage promptly at Mexico.

4. Operations on TRRA Between St. Louis and East St. Louis

224. To close the gap between its NS rights and CPKC's existing lines in East St. Louis, CPKC would also require terminal trackage rights over TRRA trackage between May Street and CPKC's lines.

225. To reach its yard in East St. Louis, CPKC would operate on TRRA trackage across the TRRA-owned Merchants Bridge, which underwent a reconstruction project in 2022 that restored full double-track capability and increased bridge capacity to approximately 70 trains per day while eliminating speed, clearance, and load restrictions that had previously existed. Accordingly, the limited number of CPKC movements contemplated under the proposed rights would represent only a small fraction of the bridge's available daily capacity.

226. From NS's connection at May Street Interlock, CPKC would operate over TRRA's West Belt Subdivision, West Approach Interlock, the Merchants Subdivision, the Merchants Bridge, the SH Interlock, and the Illinois Transfer Subdivision through CP Junction and Valley Junction to reach its East St. Louis Yard and CSXT's Rose Lake Yard. Overhead trackage rights on this complete route, in both directions, would allow CPKC to close the gap between its own network in East St. Louis and CPKC's rights on NS in St. Louis. There is ample capacity headroom on these lines to support the limited number of additional CPKC trains contemplated. CPKC would interchange railcars (or full trains) with CSXT at CSXT's Rose

Lake Yard in the same manner it does today, via movement from CPKC's East St. Louis Yard to CSXT's Rose Lake Yard via Valley Junction and Q Tower, or, in the event CPKC and CSXT establish run-through service between Kansas City and CSXT's network, directly via CP Junction.

VIII. CPKC's Exercise of Trackage Rights on UP's Lufkin Subdivision Between Shreveport and Houston Is Feasible and Would Not Cause Disruption

227. As I explained above, the UP-NS merger could lead to severe congestion between Houston and DeQuincy, LA, and in the Houston Terminal near UP's Englewood Yard. A number of potential steps may be necessary to prevent or remedy the adverse impacts of such congestion. One such step would be to enable CPKC through trains to bypass the area of congestion via rights over UP's Lufkin Subdivision between Houston and Shreveport.

228. CPKC trains moving between Houston and Shreveport have used this route in the past on a detour basis. That is less frequent today because UP chose to demand massive increases in the detour fees on this territory, raising them from about $25/train mile to $100/train mile today. (UP's $100/train mile detour charge is an outlier, well outside the range other carriers charge for detour rates.)

229. CPKC's trackage rights on the Lufkin Sub could be triggered by evidence of merger-related service degradation on trackage CPKC shares with UP and where UP's volumes are anticipated to increase as a result of the merger, specifically between Houston (where the Lufkin Sub begins) and DeQuincy, LA.[62] Use of the Lufkin Sub would allow CPKC trains to

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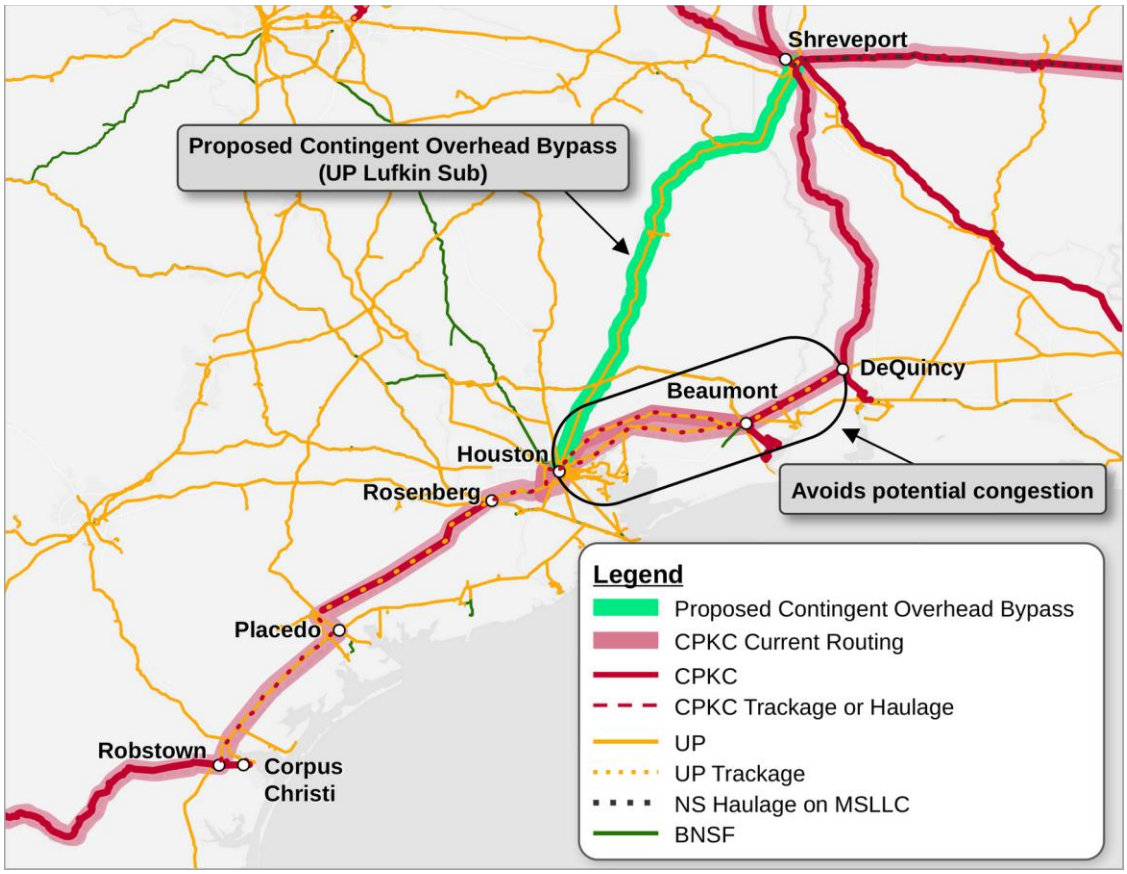
[62] The Board could set standards governing this trigger at the technical conference. The standards should protect CPKC's ability to complete its movements over the shared Houston-DeQuincy route reliably. Those standards should assess timely acceptance and admission, delays while awaiting access or trains held along the route, unreliable passage, and excessive recrews. The standards should be subject to the 30/30 process.

avoid congestion-related delays between Houston and DeQuincy, while also reducing train volumes on that segment, thereby alleviating congestion.

230. UP's Lufkin Subdivision is shown in Figure 26 below.

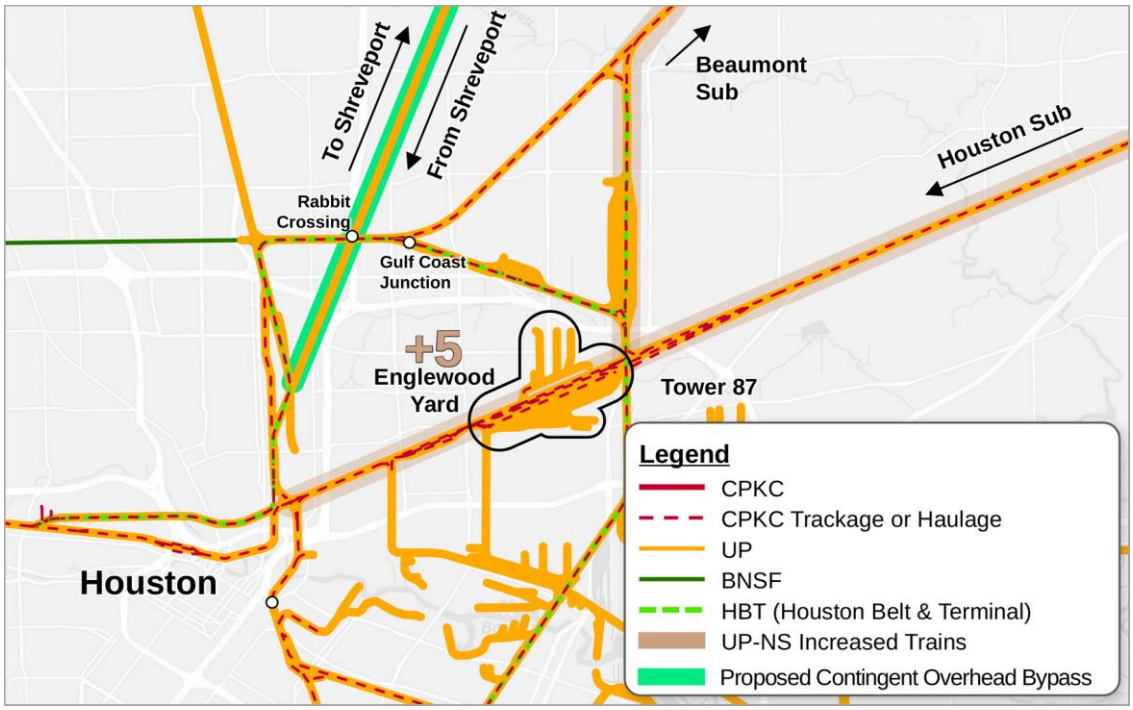
FIGURE 26
PROPOSED CPKC RIGHTS ON UP LUFKIN SUBDIVISION



231. The Lufkin Sub route would bypass the Houston-DeQuincy route that UP's merger-related traffic would use, allowing CPKC trains to move between Houston and Shreveport without needing to use the segments most vulnerable to merger-caused congestion.

232. At the southern end of the route, CPKC trains would enter or exit the Houston Terminal at MP 230.87 MT 3 on the UP Houston West Belt Subdivision, avoiding the need to operate past Englewood Yard, which historically has been a major area of UP-caused congestion. This Lufkin Sub route is shown on the Houston Terminal map set forth in Figure 27 below.

FIGURE 27
TRAFFIC FLOW IN HOUSTON VIA NEW LUFKIN SUB RIGHTS

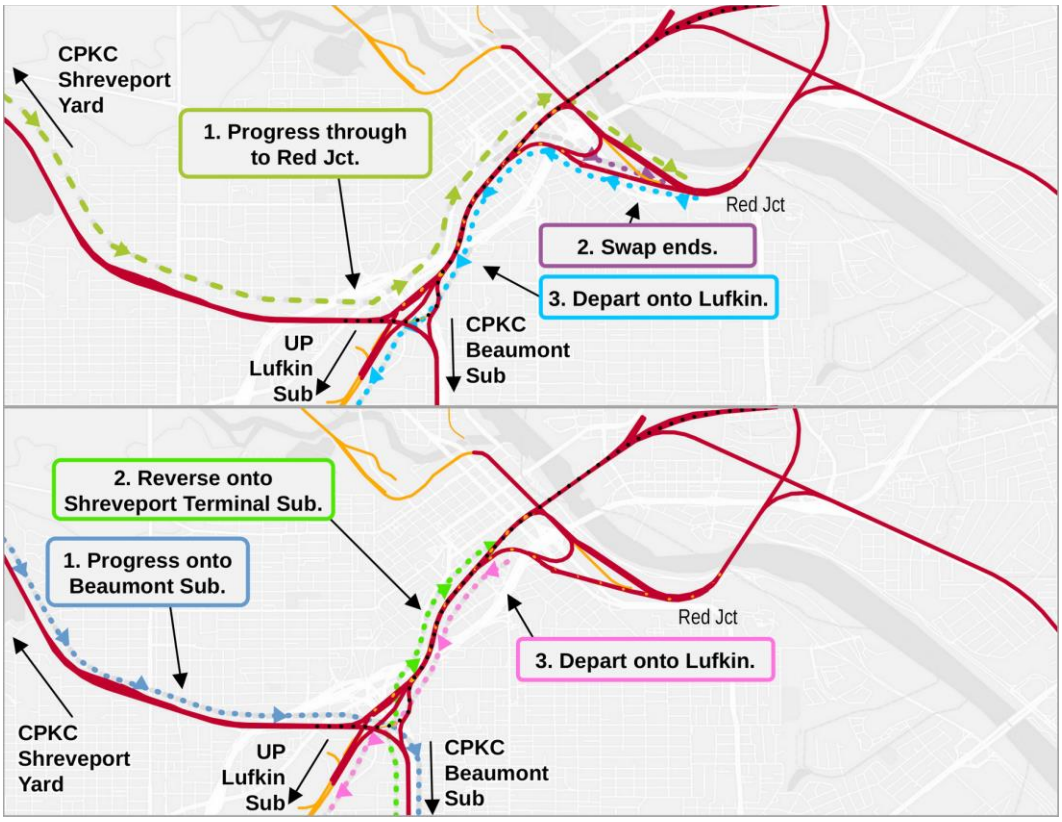


233. At the northern end of the route, CPKC trains would exit or rejoin CPKC's network at MP L-558.8, No. 3 Main Track on the CPKC Shreveport Terminal Subdivision. CPKC trains connecting with the MSLLC route at Shreveport (*i.e.*, current train pairs 174/175 and 274/275), would make a progressive connection via CPKC's Wilson's Alley. These trains would change crews at Bossier City at the usual crew change point for CPKC trains connecting with the MSLLC. Trains progressing to/from MSLLC would not represent additional volume on the MSLLC route, so there should be no delays entering or exiting.

234. There are alternative means by which CPKC trains originating at CPKC's Shreveport Yard could access the Lufkin Sub for southbound moves. One route would have trains connecting between the Lufkin Sub and CPKC's Shreveport Yard and/or routes to Dallas and Kansas City move via Red Junction on Main 3, swap controlling ends and continue their movement, with the route shown in blue in Figure 28 below.

235. Alternatively, trains can move via CPKC's "Hollywood" track, perform a reverse move and then proceed onto the Lufkin Sub, via the route shown in pink in Figure 28 below. Whichever route they used, these trains would change crews at Shreveport Yard, consistent with CPKC's current practice. We know that these moves are feasible because CPKC and BNSF route coal trains via these routes to reach the BNSF-served generating plant in Martin Lake, TX.

FIGURE 28
DIAGRAM SHOWING POSSIBLE ROUTES OF TRAINS ACCESSING LUFKIN SUB IN SHREVEPORT



236. UP operates the Lufkin Sub as a single-crew district between Houston and Shreveport, and CPKC would operate its trains over the route using its own crews between Shreveport and Kendleton when possible. Transits between Shreveport and Kendleton that avoid significant delay would support this plan, but CPKC anticipates that it will often need to change crews en route. Based on its experience with detour moves over this line, CPKC would plan to

change crews (when necessary) at Jensen Drive, just south of Tower 76 (the point labeled "Rabbit Crossing" in Figure 27 above). CPKC would have crews in its Kendleton and Shreveport South crew bases qualified on this territory (via familiarization runs and certification in conjunction with UP) to support operations on the route and support re-crewing of trains when necessary.

237. CPKC trains that could feasibly be diverted to the Lufkin Sub route would include only those that had no work to perform between Houston and Shreveport. Based on CPKC's current transportation plan, CPKC anticipates that [redacted] trains per day would be candidates to divert to this route, as follows:

- Trains [redacted]

238. Decisions about the routing of CPKC's trains would be based on an evaluation of conditions on the two available routes and CPKC would provide UP with appropriate notice of a plan to route particular trains via the Lufkin Route. For southbound trains, CPKC would anticipate providing UP with [redacted] advance notification of a movement via the Lufkin Sub route. Since UP currently uses the Lufkin Sub primarily for southbound directional running today, northbound CPKC trains would require more advance notice, perhaps [redacted]

239. CPKC's use of this route would depend on UP giving prompt acceptance to trains at Shreveport and Houston, and dispatching of the trains on terms no less favorable than its dispatching of UP and BNSF movements over the same territory.

240. CPKC's decisions regarding use of the route would also take into account train length limitations and locomotive power needs. Trains that exceed any generally applicable length limitation would either be operated via CPKC's normal route or shortened in Kendleton or Shreveport. To the extent operation via the Lufkin Sub required additional locomotive horsepower, CPKC would add that power at Kendleton or Shreveport.

241. There is more than ample capacity on this route to accommodate CPKC's potential operations. As Applicants have informed the Board, fewer than eight trains per day are anticipated to use this route in Year 5, and the merger will increase the number of trains by only 0.03 trains per day.[63]

IX. CPKC's Requests for Operating Rights in the Kansas City Area

1. CPKC Access to the Incline Track/North End Freight Line Route Is Both Important and Feasible

242. A condition confirming (or granting) CPKC's right to operate on UP trackage between Troost Avenue and a connection with Kansas City Terminal Railway ("KCT") trackage at Broadway, as shown in green on Figure 29 below, would enable the restoration of an efficient route that CPKC historically used to operate between Knoche Yard on the east side of the Kansas City Terminal and points on the west side of the Terminal, including customer facilities served

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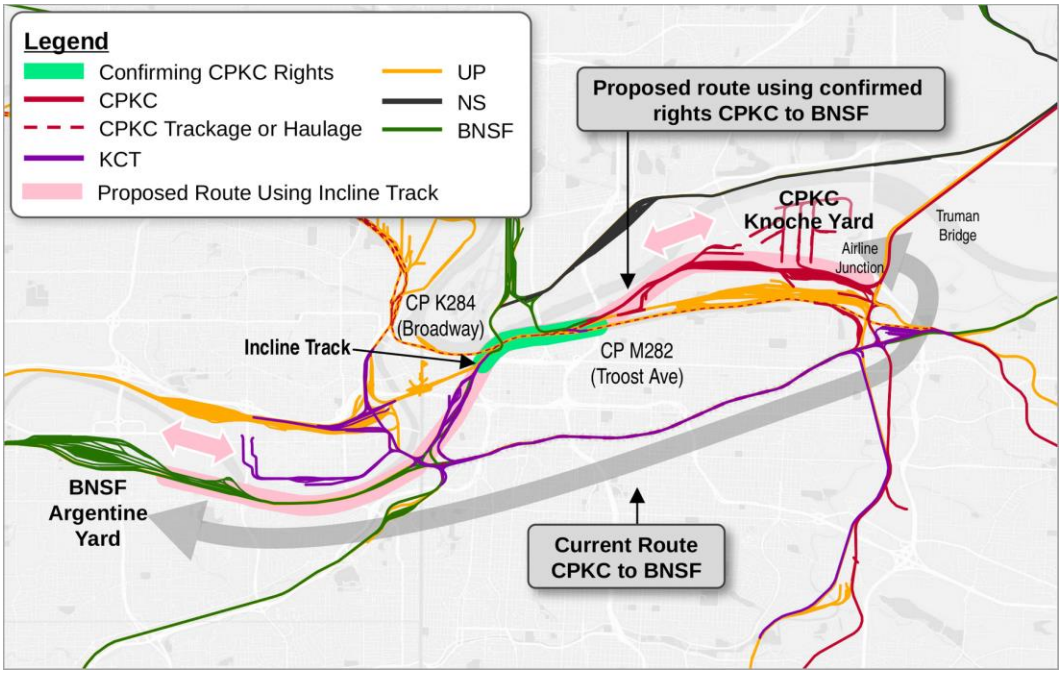
[63] *See id.* (Segments 10527-10531, from Riverfront on UP's Shreveport Sub to Bender on UP's Lufkin Sub).

by KCT and interchange with BNSF at its Argentine Yard. UP abruptly claimed the right to terminate that route in 2024 and has refused to allow CPKC or BNSF access for over two years.

FIGURE 29
ROUTES BETWEEN CPKC'S KNOCHE YARD AND BNSF'S ARGENTINE YARD



243. As Mr. Gameiro explains,[64] CPKC's predecessor had rights on this segment for decades as a result of a transition in the 1990s from operations over KCT's North End Freight Line, until UP purported to cancel CPKC's rights in 2024. The proposed condition would merely allow a reinstatement of pre-2024 operational patterns, most importantly allowing CPKC to interchange with BNSF via the Incline Track route rather than operating "around the horn" through Airline Junction, KCS Junction and KCT's heavily used main line past Kansas City Union Station.

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64 Gameiro V.S. ¶ 41.

244. The current route required by UP's refusal to allow CPKC use of the Incline Track route is incompatible with the additional congestion that the UP-NS merger will bring to the Kansas City Terminal. The problems with the current route are already acute. They begin as CPKC's local train, destined for interchange with BNSF and KCT on the west side of the Terminal (Train KK20), prepares to depart from Knoche Yard, on the east side of the Terminal. The train must exit the east end of Knoche Yard onto the busy shared UP-CPKC single main line at Airline Junction. Train KK20 must first wait for clearance from the KCT dispatcher. If a UP train is working at UP's nearby Neff Yard and blocking the Southwest Junction, which currently occurs approximately once a month, the wait can be several hours. This can cause the Train KK20 crew to expire on hours of service, missing its transfer assignment. This missed transfer in turn causes congestion in Knoche Yard.

245. Once Train KK20 receives clearance to proceed, it must assemble, or double up, the train, which requires it to occupy the shared main. Train KK20 first pulls a block of cars from Knoche's Track 1 out onto the main line and then pushes back to the block of cars on Track 2. Then it conducts federally mandated airbrake tests and inspections, before departing south. The doubling up process takes approximately 45 minutes. During this time, the train blocks the north-south main line and also the UP east-west main line running through the Southwest Junction crossing diamond just to the south of Airline Junction.

246. Train KK20 then continues south via KCS Junction onto KCT's Transcon Route, which is dispatched by KCT and is shared with Amtrak, which operates six trains daily on the line: the Amtrak Southwest Chief operates once in each direction and the Amtrak River Runner operates twice in each direction. From there, Train KK20 proceeds west to Santa Fe Junction. At Santa Fe Junction there is a flyover with a grade of 1.2 percent. This grade requires that

CPKC (and BNSF) either limit the size of the train consist or operate a high horsepower road locomotive, which is generally not an option due to availability and efficiency issues. This is different from the traditional route via the KCT North End Freight Line (including the Incline Track), where there are no grade-related tonnage restrictions that affect Train KK20. Train KK20 then proceeds to BNSF's Argentine Yard, delivers the cars, and operates the locomotive light over the same route to return to Knoche Yard.

247. From a safety perspective, operating over the Incline Track/North End Freight Line route is far superior. On the Incline Track/North End Freight Line route, the crew doubles the train in the yard. On the current route trains must occupy the main line while doubling up, which increases safety risk. On the Incline Track/North End Freight Line route, BNSF-bound cars can be cleared on a daily basis. On the current route, volume limitations and missed transfers can create yard congestion at Knoche Yard. If UP causes delay resulting in a missed transfer, the train must be re-yarded occupying tracks normally used for inbound traffic. Re-yarding the train and dealing with yard congestion generally requires additional switching activities which creates additional risks. Additionally, whereas KCS and BNSF were normally able to both deliver and pull interchange in the same trip via the Incline Track/North End Freight Line route, delays inherent in the current route mean that CPKC delivers to BNSF (unless the transfer has to be canceled due to delays explained above), and BNSF separately delivers to CPKC, taking two trains to do the work of one.

248. In summary, UP's blocking CPKC and BNSF from interchanging via the KCT Incline Track/North End Freight Line route would make CPKC-BNSF interchange less safe, less reliable and much less efficient, leading to additional yard congestion and congestion on the busy KCT Transcon line. These adverse impacts would be sharply exacerbated by UP's plan to run an

additional 7.48 trains across the KCT southern main line and past Southwest Junction and Airline Junction, as I discuss above. CN's proposed operations into Neff Yard would also conflict with the current route of CPKC's operations to the west side of the Kansas City Terminal.

249. Confirming CPKC's rights to use the Incline Track/North End Freight Line route would allow CPKC's and BNSF's operations to return to the pre-2024 patterns described above. The feasibility of CPKC using the Incline Track/North End Freight Line route is unquestionable, for two reasons. First, CPKC traditionally operated via this route, and nothing has changed about the route to make those operations infeasible. Second, the settlement agreement between CN and UP appears to provide for UP granting trackage rights access to CN across the exact same route between Neff Yard and Broadway via Troost and the Incline Track.[65]

2. Continued CPKC Access to the UP-Owned Portion of the Polo Line Paired Track Is Important and Feasible

250. A condition preserving CPKC's right to operate on the UP-owned portion of the "Polo Line" paired track between Airline Junction in Kansas City and Polo, MO (where the UP and CPKC lines diverge), as shown in Figure 30 below, would ensure that UP did not seek to terminate these important and efficient rights when the term of the agreement expires in 2030.[66]

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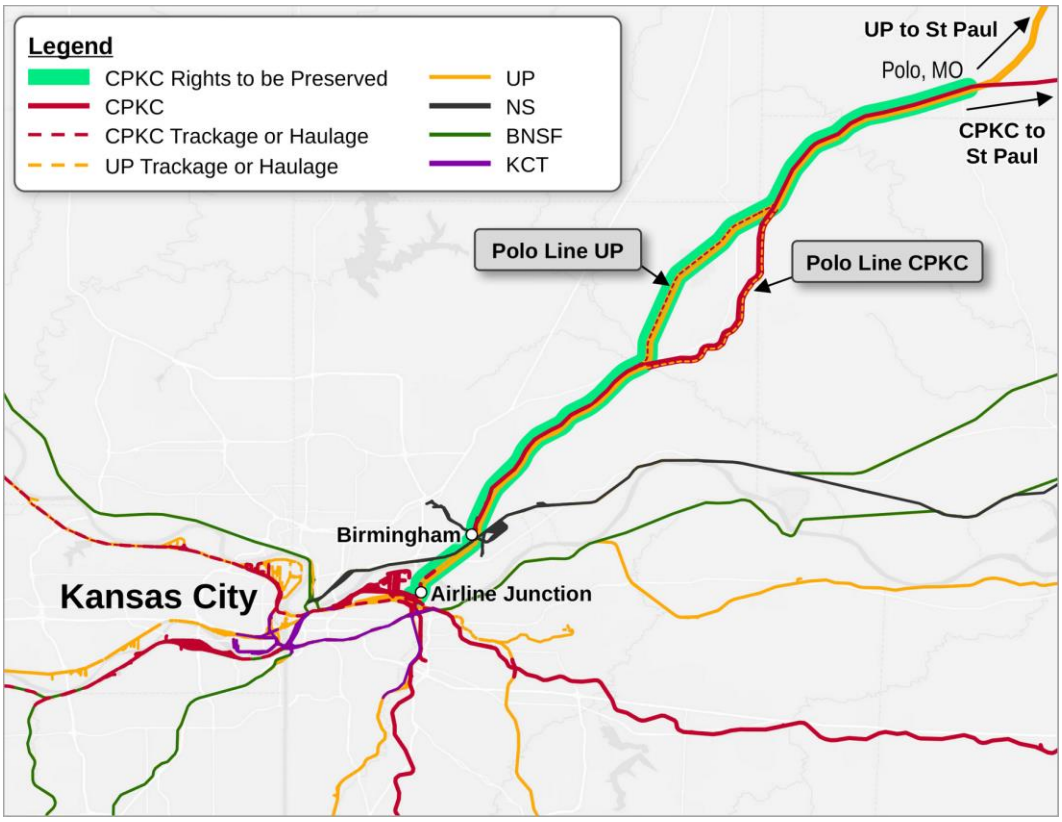
[65] CN's Description of Anticipated Responsive Applications (CN-30) (filed Sept. 9, 2026), stated that CN would seek trackage rights over UP lines between "Lydia Avenue and Broadway in Kansas City, Missouri," which is the same Troost-Broadway segment I am discussing here.

[66] *See* Gameiro V.S. ¶ 157.

FIGURE 30
CPKC RIGHTS ON THE POLO LINE

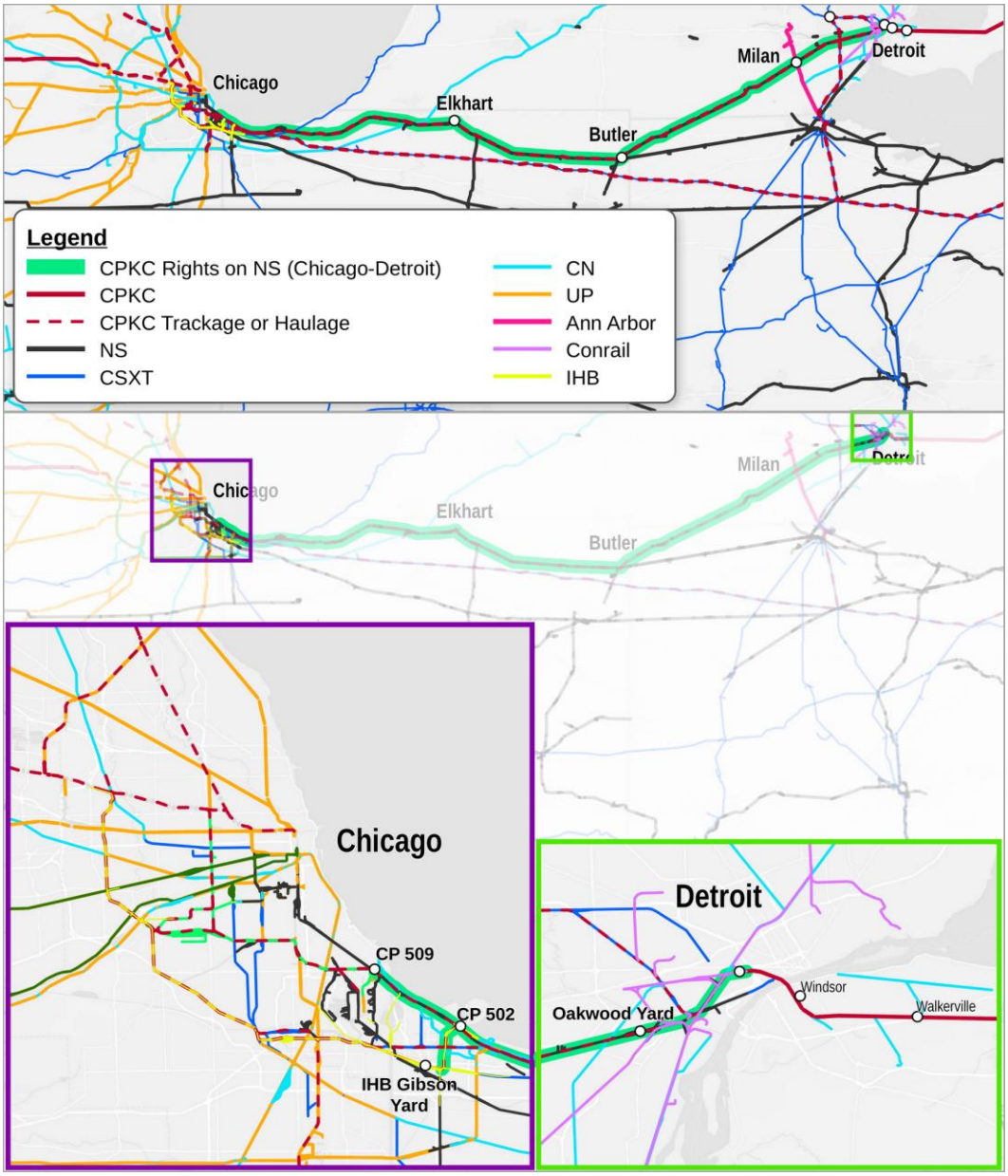


251. From an operational perspective, granting the condition CPKC seeks would not change anything relative to pre-merger conditions relating to CPKC's operations between Airline Junction and Polo. CPKC would have no objection to having this condition require that CPKC likewise maintain UP's access to the CPKC-owned portion of the Polo Line on the same terms as CPKC's access to the UP segment. As discussed above, the Board should also act to ensure that Applicants' merger-related changes to the volume and routing of traffic through the Kansas City Terminal do not disrupt CPKC's and others' operations on the eastern side of the Terminal, especially between KCS Junction and Birmingham. *See* ¶¶ 116-17 above.

X. CPKC's Proposed Operations Between Chicago and Detroit Would Be Feasible and Efficient

252. CPKC already conducts through service between Chicago and Detroit on the UP-NS lines shown in Figure 31 below.

FIGURE 31
CPKC CHICAGO-DETROIT RIGHTS ON NS



253. CPKC's rights over those NS lines connect with the Belt Railway of Chicago at CP 509 and with the Indiana Harbor Belt via rights over NS between CP 502 and IHB's Gibson

Yard, including delivering finished automobiles to IHB Gibson Yard. In Detroit, CPKC's rights on NS connect at Delray (MP 4.4 of NS's Detroit Huntington District), with CPKC rights over a short segment of Conrail trackage in Detroit to a connection with CPKC's line through the Detroit River Tunnel between Detroit and Windsor, ON (at 24th St. Detroit at MP 115.0 of CPKC's Windsor Subdivision).

1. CPKC's Overhead Operations Between Chicago and Detroit on NS Trackage Rights Would Not Fundamentally Change

254. CPKC currently operates approximately four trains per day using its existing trackage rights on NS between Chicago and Detroit. These operations include:

- [redacted]

255. Each of these trains changes crews at Elkhart, IN. CPKC anticipates that all of these through trains would continue to use the modified trackage rights as proposed by CPKC,

but CPKC anticipates that transit times would improve with better attention by NS to service standards.

2. CPKC's Operations Could Readily Accommodate the Anticipated Traffic Gains Resulting from Removal of Traffic Restrictions

256. [redacted]

257. CPKC anticipates handling the anticipated traffic as follows:

258. ***Traffic Interchanged with Ann Arbor Railroad.*** CPKC would handle traffic interchanged with Ann Arbor Railroad by replacing existing Train 730 with a new pair of trains (trains 232/233) that would operate daily between Chicago (likely via CP502 and the IHB) and Toronto, with pick ups and set outs en route at NS's Oakwood Yard in Detroit and elsewhere as appropriate. Like CPKC's other through trains on this line, these trains would change crews at Elkhart.

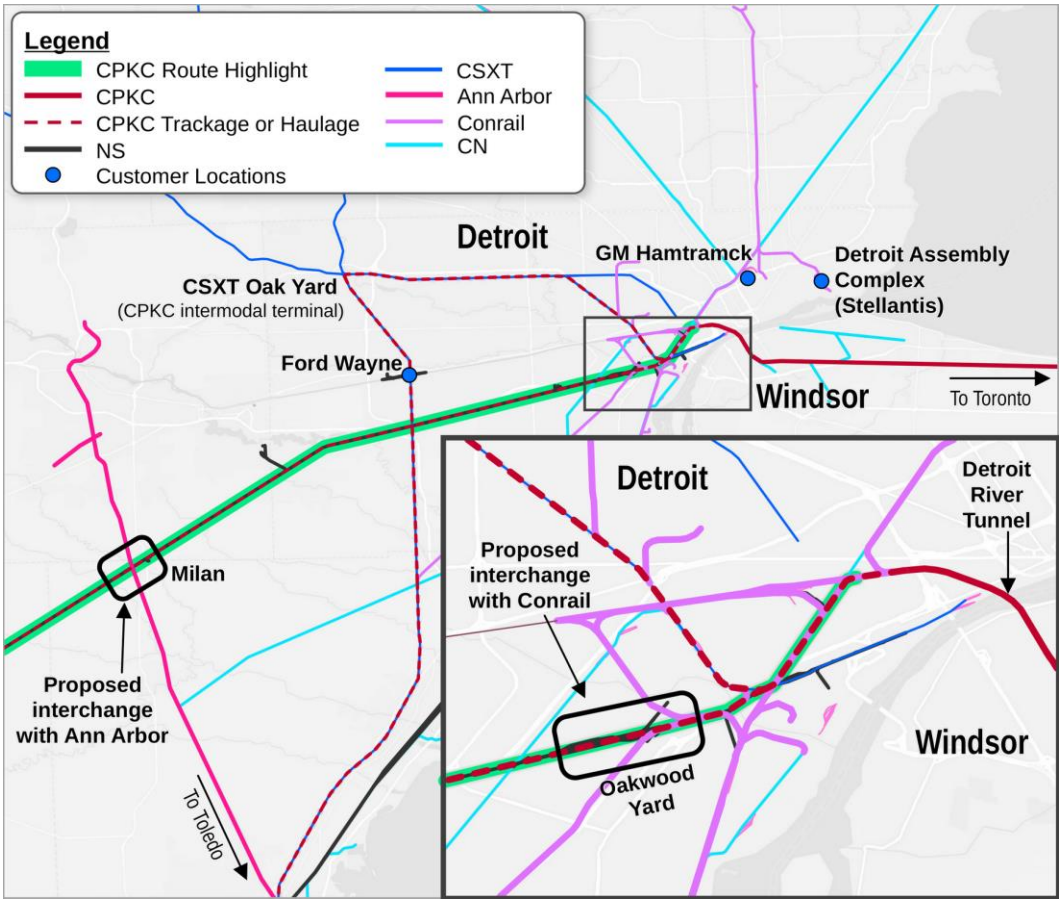
259. CPKC anticipates that the most efficient way to interchange traffic with the Ann Arbor Railroad via Milan, MI would be for those cars to move via the same local train services that Ann Arbor operates between Toledo and Milan, connecting with the local train service that NS already operates between Milan and Detroit, and for CPKC to receive and deliver cars moving to/from the Ann Arbor at Oakwood Yard (with NS providing the handling for cars in CPKC's account between Milan and Oakwood for a haulage fee). (Alternatively, CPKC trains could stop on the main line at Milan to pick up and set out traffic for Ann Arbor, but CPKC is mindful of the potential congestion this could cause). CPKC anticipates that Ann Arbor would

build a CPKC interchange block for delivery to CPKC at Oakwood Yard without needing further processing there.

260. ***Traffic Interchanged with Conrail at Detroit.*** CPKC would establish a new connection with Conrail at Detroit for traffic moving via reciprocal switching to/from Conrail-served customers in the Detroit terminal area. CPKC anticipates that the ideal location for that arrangement would be at Oakwood Yard, which CPKC's trains already pass through and which Conrail already serves. Conrail traffic would be set-out and picked up on new CPKC train service (trains 232 and 233) operating between Chicago and Toronto. Eastbound Train 232 would set-out any traffic for Detroit/Conrail and the Ann Arbor Railroad at Oakwood and lift any interchange traffic for Canada. Westbound Train 233 would set-out any interchange traffic at Oakwood and pick up any Chicago-destined traffic and continue west.

261. Anticipated service patterns for traffic to/from Conrail and Ann Arbor Railroad customers are shown in Figure 32 below.

FIGURE 32
PLANNED CONNECTIONS WITH CONRAIL AND ANN ARBOR RAILROAD



262. ***Traffic to/from New CPKC-Served Facilities.*** Were it granted these rights, CPKC would evaluate investing in a new intermodal and automotive facility capable of serving transportation customers throughout Southeast Michigan via intermodal service and transloads of automotive and other shipments. To the extent such a facility required Board or other authorization, CPKC would seek that authorization.

263. CPKC's current estimate of the traffic volumes available in the foreseeable future as a result of its ability to use NS trackage rights to reach such a facility could be accommodated on the planned Midwest-Michigan Express train pair discussed above. CPKC's planned daily train pair would support significant upside for potential further growth in traffic volumes.

3. CPKC's Contemplated Operations Would Not Have Adverse Impacts on UP-NS or Others

264. The additional operations that CPKC contemplates would not unduly burden UP or disrupt operations by other carriers serving Detroit. NS's Chicago Line is among America's highest-capacity main lines, with capacity to accommodate nearly 100 freight trains per day. CPKC's additional traffic, mostly handled on trains that are already running on NS today, would not interfere with post-merger UP's use of these lines.

265. On the segment between Butler, OH and Detroit, CPKC's traffic would likewise cause no disruption. CPKC's anticipated train counts would remain well within the line's capacity. To the extent CPKC's trains were called upon to perform work en route, such as at the connection with Ann Arbor Railroad at Milan, MI or at a future CPKC facility adjacent to the line elsewhere in Southeastern Michigan, CPKC would anticipate performing that work off of the main line, and CPKC would invest in additional sidings to accommodate that work as necessary.

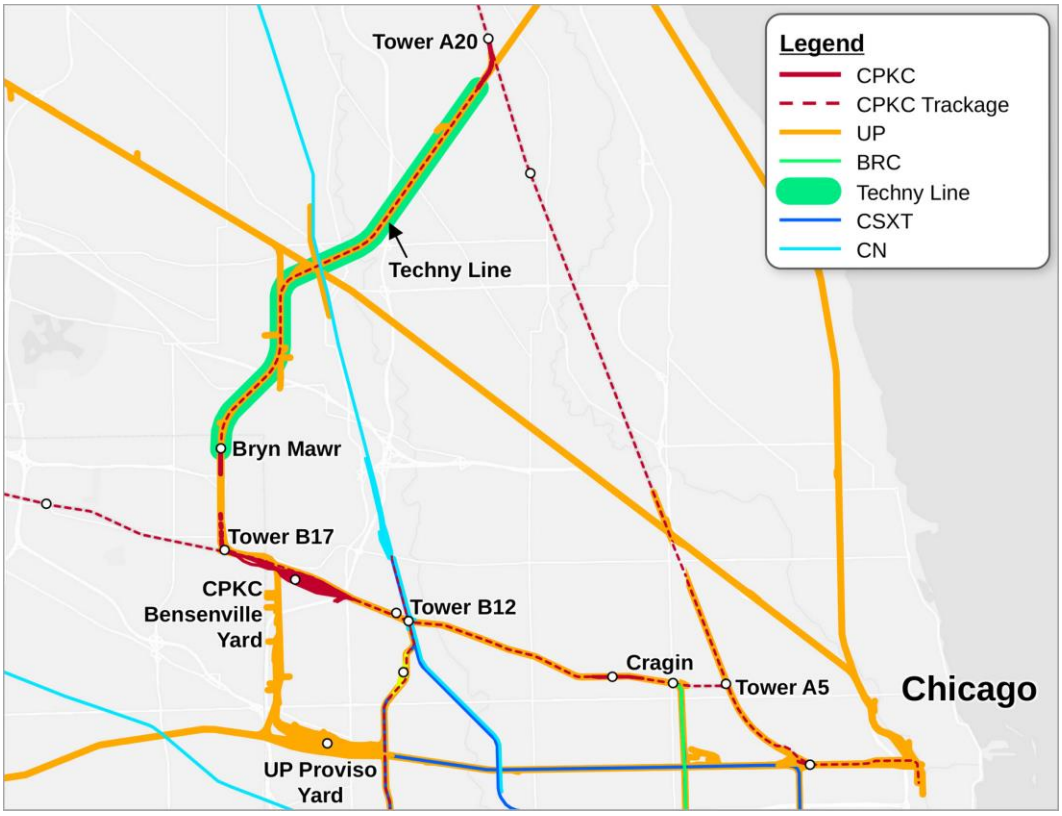
266. At Detroit, that traffic is already moving through NS's facility (albeit in NS's account). CPKC could simply replace an existing manifest interchange assignment to/from Windsor and Oakwood with a through train for Chicago operating in the same window thereby addressing any capacity concerns UP-NS might raise regarding disruption of NS's other operations at Oakwood Yard.

XI. The Board Should Require UP to Preserve CPKC's Existing Rights on the Techny Line and Impose New Incentives for UP to Support Efficient CPKC Operations There

267. A condition preserving CPKC's right to operate on UP's "Techny Line" between Bryn Mawr, IL and Tower A-20, as shown in Figure 33 below, would ensure that UP did not

seek to terminate these important and efficient rights [redacted] as discussed in Mr. Gameiro's Verified Statement.

FIGURE 33
CPKC RIGHTS ON TECHNY LINE



268. From an operational perspective, granting the condition CPKC seeks would not change anything relative to pre-merger conditions relating to CPKC's operations between Bryn Mawr and Tower A-20. CPKC's operations on this line connect the west end of Bensenville Yard with CPKC's Chicago & Milwaukee Division at Tower A-20. This route is important because it allows CPKC trains a route that avoids operating via Tower A-5, which requires traversing Metra's MD-W commuter line between Bensenville and Tower A-5 and Metra's MD-N commuter line between Tower A-5 and Tower A-20 (a route between Towers A-5 and A-20 that Amtrak also uses). The Techny Line is thus an important freight bypass that minimizes interference with passenger operations.

269. The Techny Line is a more efficient route for other reasons as well. For CPKC freight trains operating between St. Paul or Milwaukee, on the one hand, and points in the Chicago Terminal beyond Bensenville Yard, the Techny Line route provides a progressive connection to the Belt Railway of Chicago (via E Junction), whereas a routing via Tower A-5 would require a reverse move to reach the BRC line, magnifying potential interference with passenger and other operations.

270. CPKC is a major user of UP's Techny Line. CPKC could readily support dispatching of operations over this trackage from CPKC's dispatching center in Kansas City, and doing so would be more efficient because for the majority of trains, CPKC would already be dispatching them on CPKC's own lines south of Bryn Mawr and north of Tower A-20. CPKC expects that, if given control of dispatching on this line, its dispatchers would be able to avoid delays to CPKC, Metra, and Amtrak operations at Tower A-20 that are occasioned by delays in UP dispatchers providing CPKC freight trains with clearance to exit the Metra MD-N line onto the Techny Line, as well as delays to Metra at Tower B-17 occasioned by UP dispatchers not clearing CPKC trains onto the Techny Line at Bryn Mawr.

271. CPKC would welcome UP's voluntary transfer of dispatching responsibility to CPKC, but CPKC is not insisting that such a transfer occur unless UP's continued dispatching generates outcomes that fall short of appropriate performance standards. In that event, a transfer of responsibility to CPKC could be swift and seamless. CPKC would expect that the potential for such a transfer will incentivize UP to perform more effectively.

XII. CPKC's Proposed Operation of the Wylie Intermodal Terminal

272. CPKC's facilities at Wylie, TX, northeast of Dallas, encompass three principal operations—(a) facilities to support bulk and manifest traffic, including a

switching/classification yard, receiving and departure tracks, and shop facilities; (b) an automotive compound (of approximately 30 acres) supporting the unloading of railcars delivering finished automobile and ancillary support functions; and (c) the Wylie Intermodal Terminal ("WIT") (or approximately 97 acres), which supports the loading and unloading of intermodal railcars. The WIT is designed to be and functions as a self-contained intermodal handling facility.

273. CPKC both operates the WIT and also conducts all rail operations in the vicinity of the WIT. NS does not operate on CPKC trackage in the vicinity of Wylie. [redacted] Whatever NS might acquire, however, it would not have the right to operate trains to/from Wylie. That right and responsibility would remain with CPKC.

274. As a result, if NS somehow were to acquire more than the WIT itself, CPKC's ability to run trains to and from the WIT, to serve its automotive compound at Wylie, and to support manifest and bulk operations at Wylie would be crippled. If NS acquired only the WIT, CPKC's train operations to/from Wylie likely would be unaffected, except that CPKC would be required to depend on NS's efficient and non-discriminatory operating of the WIT proper—maintaining efficient in-gate operations, loading containers promptly, grounding containers promptly, etc. – to continue its intermodal operation.

275. Were UP to acquire NS following NS's acquisition of the WIT, I am not at all confident that UP would continue to support the efficient handling of CPKC containers at the WIT (much less that UP would support other CPKC operations were NS to acquire more than the

WIT proper). For example, UP-NS would likely not have enough space for empty flatcars waiting to load containers; I am concerned that UP will just leave them on the loading tracks blocking CPKC trains that are bound for many destinations. Accordingly, in the event it approves UP's acquisition of NS and NS has by then already acquired CPKC property at Wylie, CPKC is asking the Board to require that the WIT and any other CPKC property acquired by NS be restored to CPKC ownership and control upon CPKC's rebate to NS of the consideration NS paid CPKC for the WIT.

276. Were this condition triggered, I anticipate that CPKC would resume operating the WIT (and any other property NS might acquire) in the same manner as it does so today. In the following paragraphs I explain those operations as they relate specifically to the WIT.

277. CPKC carries out all of the movement of loaded and empty railcars into and out of the WIT. This is not a WIT function. Today, the WIT handles two categories of intermodal traffic—dedicated intermodal trains to/from NS moved over the Meridian Speedway, and intermodal cars moving in manifest service to/from points across CPKC's system via Shreveport, including Chicago, Mexico, and the Southeast (via interchange with CSXT at Myrtlewood, Alabama). None of this would change.

278. The WIT in turn performs the loading and unloading of intermodal railcars within the facility. CPKC itself does not perform the intermodal handling tasks at the WIT; rather, a CPKC contractor performs the functions of managing the movement of containers and chassis within the WIT, operating and maintaining cranes, stripping and reloading the intermodal cars, and readying intermodal shipments to depart the WIT. CPKC anticipates that it would continue to employ the services of an intermodal operator to perform these functions.

279. From the standpoint of intermodal terminal operations, the WIT is fairly typical. For containers and trailers departing the terminal by rail, tractors pulling chassis bearing intermodal containers (or trailers) arrive at the WIT, enter the gate area and are cleared through the in-gate. The truck is directed to one of approximately 1,500 assigned, numbered parking spaces on the concrete pad within the fenced-in WIT. At the assigned parking space, the driver disconnects the truck tractor from the intermodal container and chassis (or trailer), then checks out and departs the terminal through the out-gate.

280. The WIT is a wheeled facility, meaning that containers stay mounted to chassis while in the terminal. The WIT is not designed to ground containers and stack them, and rarely does so.

281. The intermodal container and chassis (or trailer) remain in the parking space until it is time for the container or trailer to be loaded onto the empty intermodal rail cars. At that time, a drayage driver employed by the terminal operator moves the container and chassis (or trailer) to a position parallel to and alongside the intermodal car wells into which the containers will be placed. The intermodal terminal operator stages the chassis with the containers that will go in the bottom of the well closest to the rail car. Intermodal cranes, beginning at each end of the cut of intermodal cars on the track, pass along the cars, picking the container off the chassis and placing it in the well, where it is secured. When the bottom layer of containers has been placed and secured, the intermodal cranes are then in the middle of the cut of cars, and start back toward the ends of the cut, loading the top containers, which are then secured.

282. For containers and trailers arriving at the WIT by rail, the intermodal terminal operator inventories the railcars to ensure that the containers received match the manifest. Then, starting with the top layer of containers, the terminal operator uses intermodal cranes to "de-

ramp" the containers from the cars. Beginning at each end of the cut of intermodal cars on the track, the cranes pass along the cars, picking the container off the car and placing it on a chassis positioned parallel to and alongside the intermodal car. When the top layer of containers has been placed onto waiting chassis, the intermodal cranes start back toward the ends of the cut, unloading the bottom containers. The terminal operator then moves the loaded chassis to the numbered parking spots to await arrival of the drayage company or other truck operator authorized to remove the shipment from the terminal.

283. The same cars comprising the inbound NS dedicated intermodal train are reloaded within the WIT for the outbound NS dedicated intermodal train to the Speedway. Intermodal cars moving in manifest service from Shreveport are similarly stripped and reloaded, but not stored, at the WIT. Once loaded, the intermodal cars moving in manifest service are pulled from the WIT and added to the outbound manifest train. Once the manifest train is completely assembled and has been inspected by CPKC's mechanical department, it will leave the yard tracks and depart on the main line.

284. Were CPKC to reacquire the WIT in accord with the condition we are seeking, CPKC would operate the WIT generally along the lines of its current operations, as described above. CPKC would continue to honor its contractual obligations without discrimination and would make every effort to work with customers to provide the support they need.

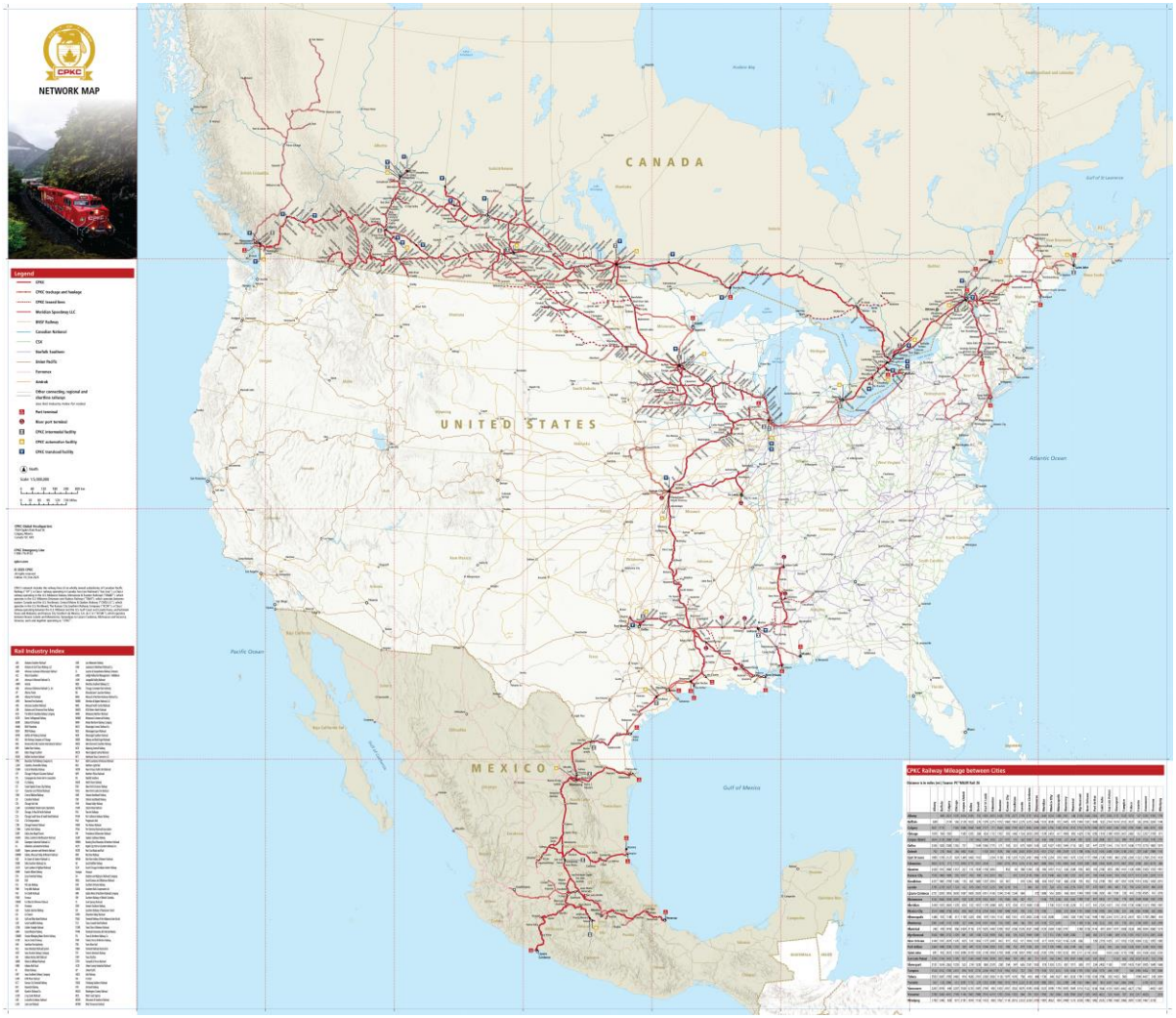
Highly Confidential Attachment

Filed under seal pursuant to Protective Order

APPENDIX B

CPKC SYSTEM

MAP[68]



68 An electronic version of this system map has been uploaded separately.

VERIFICATION

I, Mark Redd, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this statement.

Executed on this 18 day of November, 2026.



Mark Redd

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF MARK REDD

EXHIBIT 1

310198
CPKC-48
ENTERED
Office of Chief Counsel
November 13, 2025
Part of
Public Record

BEFORE THE SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36500 (SUB-NO. 6)

CANADIAN PACIFIC RAILWAY LIMITED, ET AL. – CONTROL – KANSAS CITY SOUTHERN, ET AL. (GENERAL OVERSIGHT)

CPKC REPLY TO UP AND NS CORRESPONDENCE REGARDING MERIDIAN SPEEDWAY

Canadian Pacific Kansas City Limited, on behalf of its U.S. rail carrier subsidiaries (collectively "CPKC"),[1] submits this reply to the separate letters filed by Norfolk Southern Railway Company ("NS") and Union Pacific Railroad Company ("UP") on September 30, 2025.[2]

The issues raised by NS and UP in their separate but seemingly-coordinated submissions are not matters that fall within the ambit of Board oversight, and, in any event, their submissions lack merit as a matter of fact. Aware that CPKC is not remotely in breach of its contractual obligations to NS under the agreements governing the Meridian Speedway joint venture, particularly the 2006 Norfolk Southern Railway-Meridian Speedway LLC Joint Use Agreement, NS and UP attempt to convert their dispute into a merger condition enforcement matter that UP's CEO has suggested (perhaps for collateral purposes) demonstrates that "cooperation agreements"

[1] CPKC's U.S. rail carrier subsidiaries include Soo Line Railroad Company; Central Maine & Quebec Railway US Inc.; Dakota, Minnesota & Eastern Railroad Corporation; Delaware & Hudson Railway Company, Inc. (collectively "CP" or "CP/Soo"); The Kansas City Southern Railway Company, Gateway Eastern Railway Company, and The Texas Mexican Railway Company (collectively, "KCSR").

[2] Replies to these submissions would have been due on October 20, but deadlines for all submissions to the Board were tolled during the federal government shutdown. *See Materials Due to Be Submitted During the Federal Government Shutdown*, Ex Parte No. 751 (STB served Oct. 1, 2025). CPKC is filing this Reply on the earliest practical opportunity following the Board's notice that it is again accepting filings.

among railroads do not work.[3] NS's and UP's desperation to concoct a merger oversight claim out of thin air is all the more obvious in light of the utter lack of notice provided by NS and UP before they submitted their letters to the Board. Indeed, on September 30, just hours before NS and UP filed their letters with the Board, CPKC and NS had participated in a meeting of the MSLLC Joint Operating Committee ("MSLLC JOC") to address concerns about transit time that NS had raised just days earlier. Obviously, NS allowed for no meaningful opportunity for a cooperative dialogue to consider the issues. From CPKC's perspective, these circumstances show that arrangements among independent railroads like MSLLC, a demonstrably successful and cooperative arrangement, *can work effectively*, but that their effectiveness is challenged when—as appears may be the case here with NS, acting in concert with its partner UP—one party no longer desires to pursue the cooperation that previously made the venture successful.

In any event, on the facts NS and UP have no claim. Other than a brief period of service issues associated with CPKC's May 3, 2025 "Day N" IT cut-over, which have been thoroughly rectified,[4] there has been no "degradation of service" on, nor breach of gateway conditions in relation to, the Meridian Speedway. CPKC is living up to its commitments, and the Board therefore should reject the relief requested by NS and UP. There is no need for a Service Action Plan (as NS seeks) or any Board "investigation" (as UP seeks). Indeed, as NS's Chief Marketing Officer Ed Elkins touted on NS's Q3 2025 earnings call, "[w]hen I think about service from the West Coast into the Southeast, I think about UP and NS utilizing the Meridian Speedway as the fastest, shortest route between those two regions—period."[5] Mr. Elkins referenced service via

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[3] *See* pages 27-28, below.

[4] Neither NS nor UP mention or take issue with CPKC's Day-N difficulties associated with the transition to a consolidated IT systems following CP control of KCS.

[5] Norfolk Southern Corp. Q3 Earnings Call Transcript (Oct. 24, 2025) at 11 (excerpts are Exhibit 1 hereto).

the Speedway as among the "key lanes where Norfolk Southern offers exceptional value for customers that really can't be replicated anywhere."[6] There is no service problem to solve here, much less one warranting Board attention.

I. INTRODUCTION

NS's and UP's assertions relate entirely to a daily pair of intermodal trains that are interchanged between UP and NS via the haulage service that CPKC provides to NS across the Meridian Speedway between Shreveport, LA, where the Speedway connects to UP, and Meridian, MS, where the Speedway connects to NS. These trains carry intermodal traffic moving between the Western United States and NS-served points in the Southeastern United States that, pursuant to the agreements between NS and KCS that created the MSLLC in 2006 is "exclusive" to NS. Under those agreements, CPKC is not permitted to compete to handle such traffic in linehaul service via the Meridian Speedway. *See CP/KCS*, Decision No. 35 at 130 (NS became "sole provider of rail service for certain transcontinental intermodal traffic over the line").

Both NS and UP present their assertions as involving some sort of alleged failure of CPKC to "live up to its commitments." In NS's case, the ostensible claim is that CP's acquisition of KCS, which was consummated *more than two years ago* in April 2023, led to a "substantial deterioration in intermodal train service provided by the CPKC over the Meridian Speedway and at the Shreveport gateway." NS Letter at 2. NS presents data that it says show frequent "transit time failures" for the two UP-NS Shreveport-Meridian haulage trains (westbound train 29S and eastbound train 28J). *Id.* at 3. NS also contends that its haulage

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[6] *Id.* at 10.

service has experienced a "marked decrease in traffic" from 2022 to 2025 that it says is "attributable in large part" to CPKC's service failures. *Id.*

UP's claims are different. UP focuses entirely on CPKC's decision to "impose[] an 8,500-foot length limit on trains it would accept at Shreveport for movement over the Meridian Speedway." UP Letter at 1. UP does not suggest that CPKC's enforcement of that limit was inappropriate—indeed, UP says it "agreed to abide" by it. *Id*. Instead, UP is unhappy because it has continued to send 11,000-foot trains to Shreveport and thus has been required to "cut" those trains to "match the new length restriction," which in turn has led to increased "average car dwell" at UP's Hollywood Yard in Shreveport while the over-length cars wait for a later train to move them east across the Speedway. UP Letter, Davis V.S. at 2.

There are only two kernels of truth in NS's and UP's assertions. One is that CPKC did experience a brief period in the summer of 2025 when service on the Meridian Speedway was affected by CPKC's Day-N IT cut-over. The Day N service issues have long-since been resolved, with transit times on the Speedway for NS's haulage trains *now better than* already-good pre-merger levels.

The other kernel is that CPKC did decide to enforce a uniform 8,500-foot length limit for trains on the Speedway corresponding to the design length of the sidings there, as contemplated in the applicable agreements between CPKC and NS. Other than that, UP's assertions are both insubstantial and already out-of-date. CPKC and NS have agreed that CPKC will operate one eastbound train of up to 11,000 feet until crews are available to support an additional daily train pair (planned to start November 17), and in exchange NS will partially compensate CPKC for delay costs the over-length train inflicts on other traffic on the Speedway.

II. NORFOLK SOUTHERN AND UP MISSTATE THE NATURE OF CPKC'S MERGER COMMITMENTS

As we demonstrate below, there is no merit to the NS and UP claims as a factual matter, so the Board need not reach the question whether any of what NS or UP allege is at all related to conditions imposed on CPKC in the CP/KCS proceeding. For the record, however, the Board should understand that NS and UP have a flawed understanding of the conditions the Board imposed in that case.

Again, NS appears to invoke Applicants' commitment to "keep gateways open on commercially reasonable terms" and its "Service Promise." Neither applies here.

The gateway condition does not apply because the traffic at issue is not "affected traffic." In its decision approving the CP/KCS transaction, the Board made clear that it was not expanding the scope of Applicants' gateway commitments and that the gateway condition would apply only to traffic "for which the Transaction creates a new single-line or extended haul for the combined entity so as to maintain existing interline options that shippers seek to preserve." *CP/KCS*, Decision No. 35 at 69. The UP-NS haulage traffic at issue here was not affected by the transaction. As noted above, it is intermodal traffic moving between the U.S. Southwest and the Southeastern United States, neither of which CP serves today or served pre-merger. In fact, under the MSLLC agreements, that traffic (so called "NS Traffic") is exclusive to NS—the agreements prohibit CPKC from using the Speedway to handle that traffic in its account. Accordingly, CPKC has not closed any gateway, and the gateway condition simply does not apply.

The Service Promise and CPKC's statements in the merger proceeding about its incentives to provide good service on the Speedway for NS haulage and other traffic likewise have no bearing here. CPKC's service action plan commitments were quite clear, and there has

not been any decline in CPKC's bulk train on-time percentage that has come close to triggering them. *See CP/KCS,* Applicants' Final Brief (CP-71/KCS-57) (filed Oct. 21, 2022), Appendix A, p. A9 (defining service action plan metrics to which Applicants were committing). CPKC's bulk on-time performance (which includes intermodal trains) stands well above 90 percent as of September 2025. *See CP/KCS General Oversight*, CPKC'S September 2025 Data Submission (CPKC-47) (filed September 15, 2025) at 5.

The coordinated efforts of UP and NS to link events to specific asserted "representations" in the *CP/KCS* merger proceeding are even more futile. Both railroads suggest that CPKC's behavior somehow fails to live up to CPKC's plan to be a "good steward of service" and "increase train frequency and improve service" on the Speedway. *See* UP Letter at 1; NS Letter at 2. CPKC stands by its statements, but CPKC never promised that no railcar moving in UP-NS haulage service would ever be delayed, much less that UP and NS would never face potential disruptions associated with CPKC's reasonable enforcement of train length limitations for the benefit of all customers whose traffic uses the Speedway. To reiterate, CPKC has lived up to the specific language that both UP and NS cite.[7] Contrary to the assertions of UP and NS, they are the parties seeking to degrade service by insisting on running over-length trains that largely force all other Speedway trains to clear a path for them, rather than building shorter trains that fit the sidings on the Meridian Speedway.

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[7] Applicants' statement that CPKC would be a "good steward of service" was made in the context of statements that CP would stand in the shoes of KCS, with a strong financial interest to "incentive to support the continued success of the line from Wylie to Meridian" [by] supporting high-quality service." CP/KCS, Applicants' Response to Comments (filed July 12, 2022) at 264. CPKC continues to have such incentives. Applicants' statement that CPKC would strive to "*increase* train frequency and *improve* service" was made in the specific context of the plan to add manifest traffic to KCS's daily eastbound intermodal train from Wylie to Meridian. *Id.* at 267. CPKC continues to strive to grow traffic and improve service.

III. NORFOLK SOUTHERN'S CONTENTIONS ABOUT DETERIORATING TRANSIT TIMES ARE WRONG

NS contends that transit times on the Speedway have "ballooned" "over the last six months." NS Letter at 2. NS is wrong. CPKC has provided consistently good service for NS's haulage trains (albeit with a brief dip in performance in June arising from CPKC's post-Day N challenges), and neither the CP/KCS transaction nor CPKC's service levels have caused a downturn in NS's haulage traffic.

A. NS's Data Are Not Measuring Transit Times on the Speedway

The data NS presents in its letter *do not reflect* transit times on the Meridian Speedway. *See* NS Letter at 3. Instead, those data reflect the time between a location on UP's track near Shreveport that is *beyond the west end* of the Meridian Speedway and a location on NS's track in Meridian, MS that is *beyond the east end* of the Meridian Speedway. As a result, the transit times that NS is reporting capture its own delays at Meridian and delays that occur on UP trackage in Shreveport over which CPKC has no control.

On the west end (Shreveport), NS is measuring trains using an AEI reader on UP's Reisor Subdivision, located at the south/west end of UP's Hollywood Yard (referred to as the Hollywood Junction AEI reader). This location is more than five miles beyond the west end of the Speedway, between UP's Hollywood Junction AEI reader and the west end of the Speedway lies UP's Hollywood Yard, where UP-NS haulage trains change crews and perform other work.[8] CPKC has no control over train performance across those five miles of UP trackage.

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[8] That work includes any refueling, and power swaps that UP chooses to perform. Another activity that must occur at UP's Hollywood Yard before eastbound UP-NS haulage trains depart is to inspect those trains for open container doors, which are a serious safety hazard. CPKC has observed open container doors on these trains once or twice per week recently. Stopping trains on the Speedway to rectify the problem incurs substantial delays for those trains and others, so for safety and efficiency CPKC has begun to inspect these trains before they enter the Speedway, adding 10-15 minutes to time spent preparing to enter the Speedway.

This measurement location also is inconsistent with the agreement reached between KCS and NS in 2010 (through the MSLLC JOC) to measure the west end of the Speedway for transit time measurement purposes using UP's AEI reader at Jordan Street (UP Lufkin Subdivision MP 230.8), near the switch connection between UP and KCS trackage west of downtown Shreveport, and more than five miles north/east of the Hollywood Junction AEI reader. The minutes of the June 1, 2010 meeting of the MSLLC JOC reflect this agreement, as shown in Figure 1 below.[9]

FIGURE 1

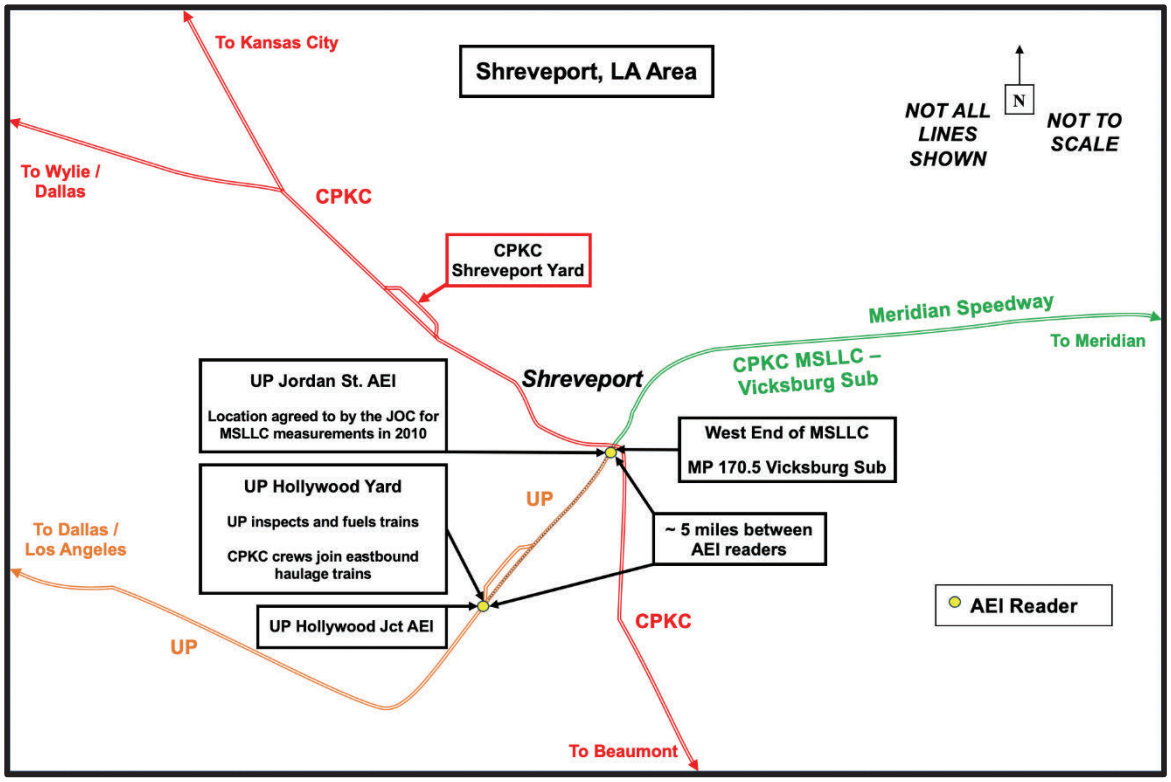
Item 2 – Service Standard Compliance / January 2011

- JOC agreed to start the clock on transits at Shreveport using the UP's Jordan St AEI reader.

Figure 2 below is a map of the Shreveport area showing the locations of the Hollywood Yard AEI reader NS used for its transit time calculations and the Jordan Street AEI reader that the MSLLC JOC agreed to use for that purpose. As the map shows, these two readers are at opposite ends of UP's Hollywood Yard.

[9] The reference to "January 2011" refers to the date when the Service Standards would become effective.

FIGURE 2



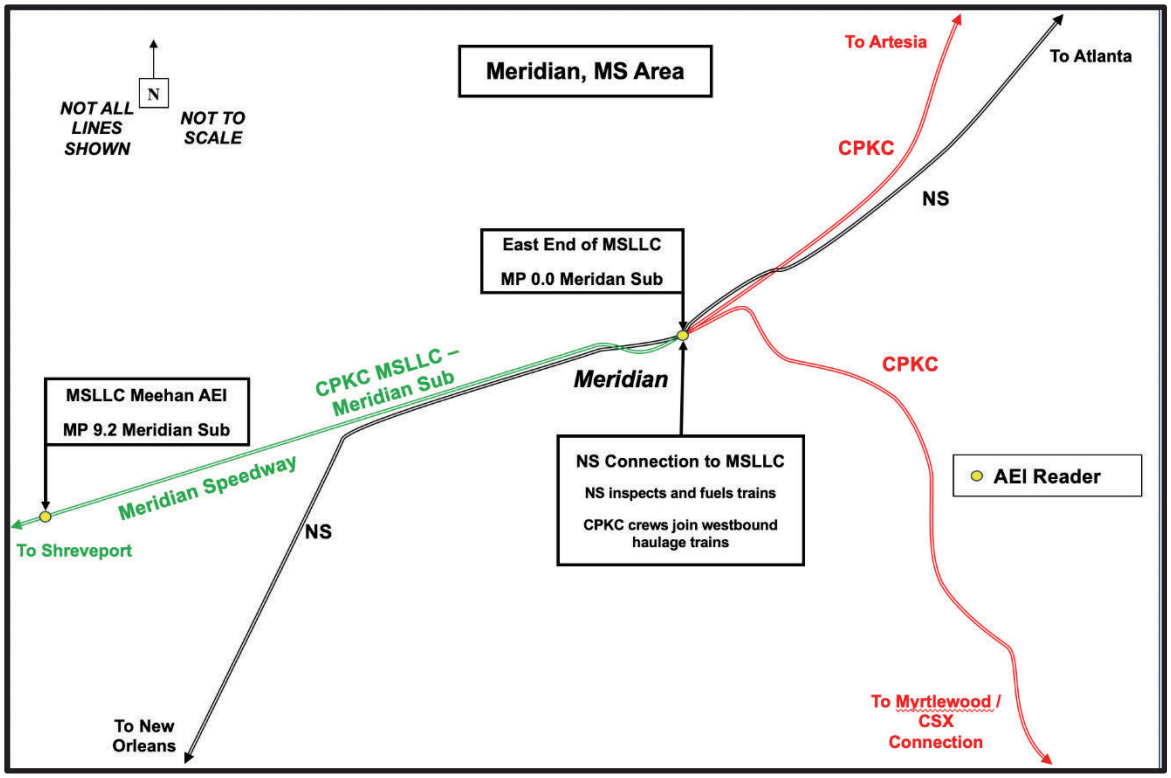
As UP states in its letter, according to its calculations NS eastbound haulage traffic (UP-NS Train 28J) historically dwelled for *almost four hours* between these points (*i.e.*, at Hollywood Yard). UP Letter, Davis V.S. at 2.[10] Subtracting this 3.9 hours from the transit times reported in NS's letter (and without making any further corrections needed at the east/Meridian end of the Speedway) implies actual transit times ranging between 9:03 (in April) and 12:03 (in August), all *well below* the "13 hour transit time" that NS presents as its performance expectation. *See* NS Letter at 3.

[10] CPKC notes that UP's statistics do not correspond with CPKC's calculations of Hollywood Yard dwell. Using the UP Hollywood Yard AEI reader (which NS's letter used for its "arrival" times and the Jordan Street AEI reader, CPKC calculates an average dwell at Hollywood Yard of only 2.8 hours from April through July 2025, and 4.6 hours from August 25 through 30. In all of these periods, Speedway transit times satisfied CPKC's contractual commitments to NS.

NS's measurement point on the east end of the Speedway is also incorrect. CPKC has not been able to determine precisely how NS is measuring train arrival and departure times at or near Meridian, MS, but the transit time figures NS presents range between 15 minutes and several hours longer than transit times measured in accordance with the agreement reached at the MSLLC JOC in June 2010. That agreement defines the "east end" of the Speedway for transit time measurement purposes as be KCS Milepost 0.00, and specifies that arrivals and departures there will be measured using CPKC's AEI reader at Meehan (MP 9.2), with a 15 minute offset to reflect times at MP 0.00. As with Shreveport, the difference is important, because of the work—especially fueling—that NS performs on trains before they are available for crewing by CPKC and departure westbound onto the Speedway.

Figure 3 below is a map of the Meridian area showing the locations of MP 0.00, the Meehan AEI reader, and the NS trackage beyond the east end of the Speedway where NS fuels westbound haulage trains and performs other work before those trains are ready to be crewed by CPKC for movement west across the Speedway.

FIGURE 3



As NS's data for westbound haulage trains (UP-NS Train 29S) show, however, even though NS is erroneously including excess time in its reported transit times, those trains consistently cross the Speedway considerably *faster than* NS's 13-hour transit time target.

B. Properly Measured, Transit Times for UP-NS Haulage Trains Are Stable and Performance Is Well Above the Standards Agreed to by NS and KCS in the MSLLC Agreements

Once the measurement errors in NS's data are corrected, it is clear that there is no basis for NS's claim that service is deteriorating. NS's letter asks how often CPKC meets a 13-hour transit time, but it is doing so with end points that add many hours to the transit on UP or NS trackage over which CPKC has no control. It is not surprising that a high percentage of trains need more than 13 hours to move from south of UP's Hollywood Yard to NS trackage east of Meridian.

Correctly measured transit time data show that there has been no recent deterioration in performance, apart from the brief (and long-concluded) impacts arising from CPKC's Day N service issues. Figure 4 below shows average transit times for the period 2019 to present for all of the UP-NS haulage trains between Shreveport and Meridian.[11] As demonstrated by these data, transit times have been *lower* since the CP/KCS combination in April 2023 and have similarly improved since CPKC's May 2025 IT cut-over that temporarily disrupted service performance here (as it did elsewhere on the legacy-KCS network). The average transit time for all of NS's haulage trains since May 2023 (following CP/KCS common control) was 10.3 hours, compared to 11.1 hours for the pre-transaction period from January 2018 to March 2023.

[11] As discussed below, under the KCS-NS MSLLC agreements, the 13-hour goal applies only to trains that are "qualified" for purposes of Service Standard measurement (*e.g.*, those that meet specified horsepower-per-ton standards and are not delayed for causes beyond CPKC's control, like force majeure weather events), and the 13-hour goal is lengthened when NS or UP deliver haulage trains earlier or later than scheduled. Since 2018, more than 40% of all UP-NS haulage trains were disqualified from measurement against the contractual Service Standard, and more than three-quarters of those disqualifications were on account of the train being underpowered. Nonetheless, CPKC is presenting transit time data for 100% of those haulage trains to make clear that the CP/KCS transaction did not cause any transit time deterioration.

FIGURE 4
TRANSIT TIMES ON MERIDIAN SPEEDWAY FOR ALL UP-NS HAULAGE TRAINS

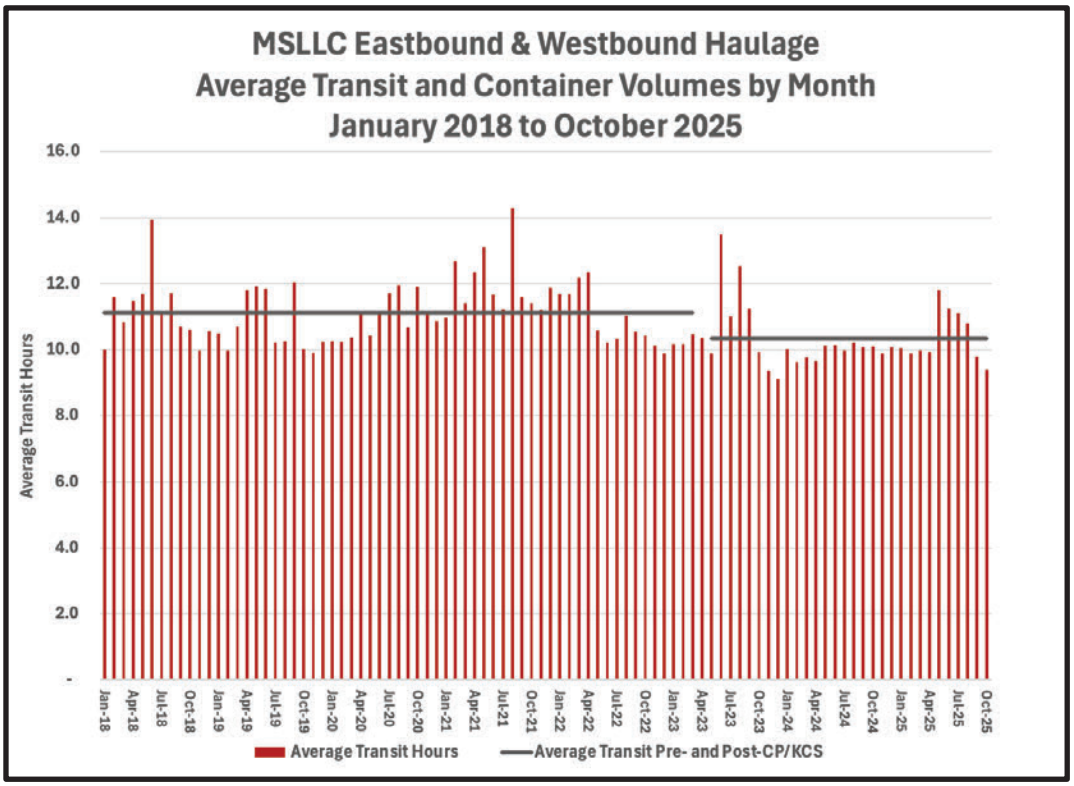


Figure 5 below shows that the same pattern is reflected in the performance data for the subset of UP-NS haulage trains operating eastbound from Shreveport to Meridian.

FIGURE 5
TRANSIT TIMES ON MERIDIAN SPEEDWAY FOR EASTBOUND UP-NS HAULAGE TRAINS

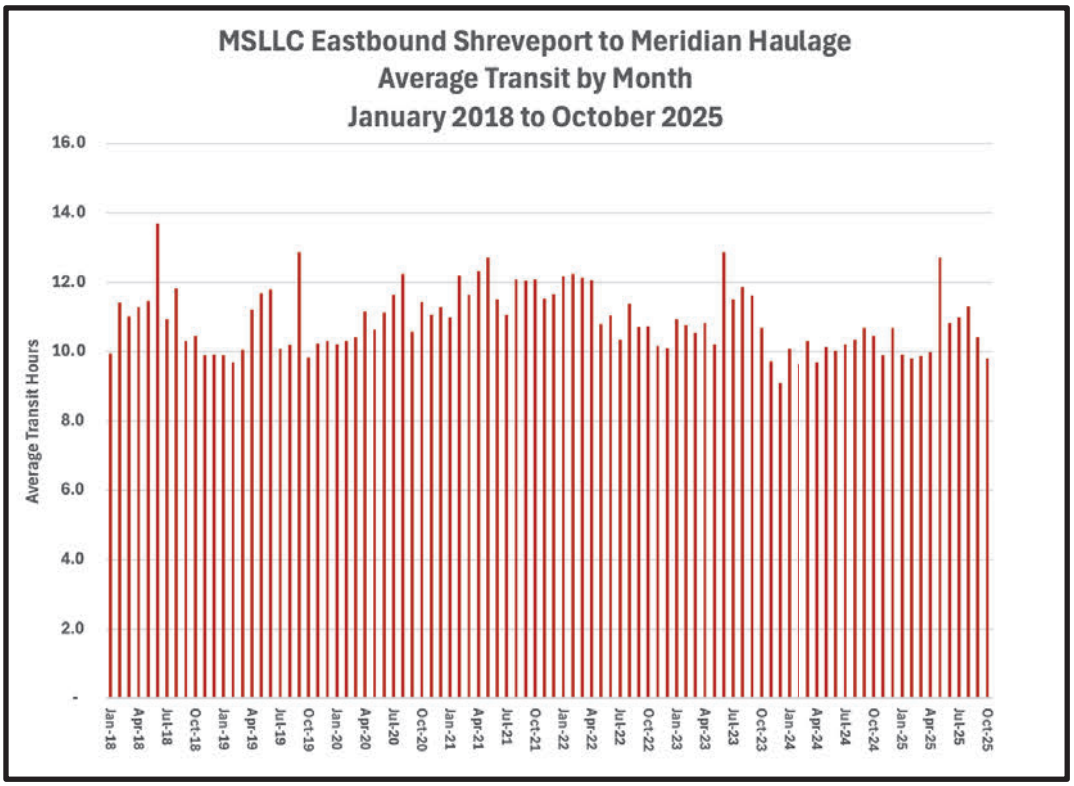
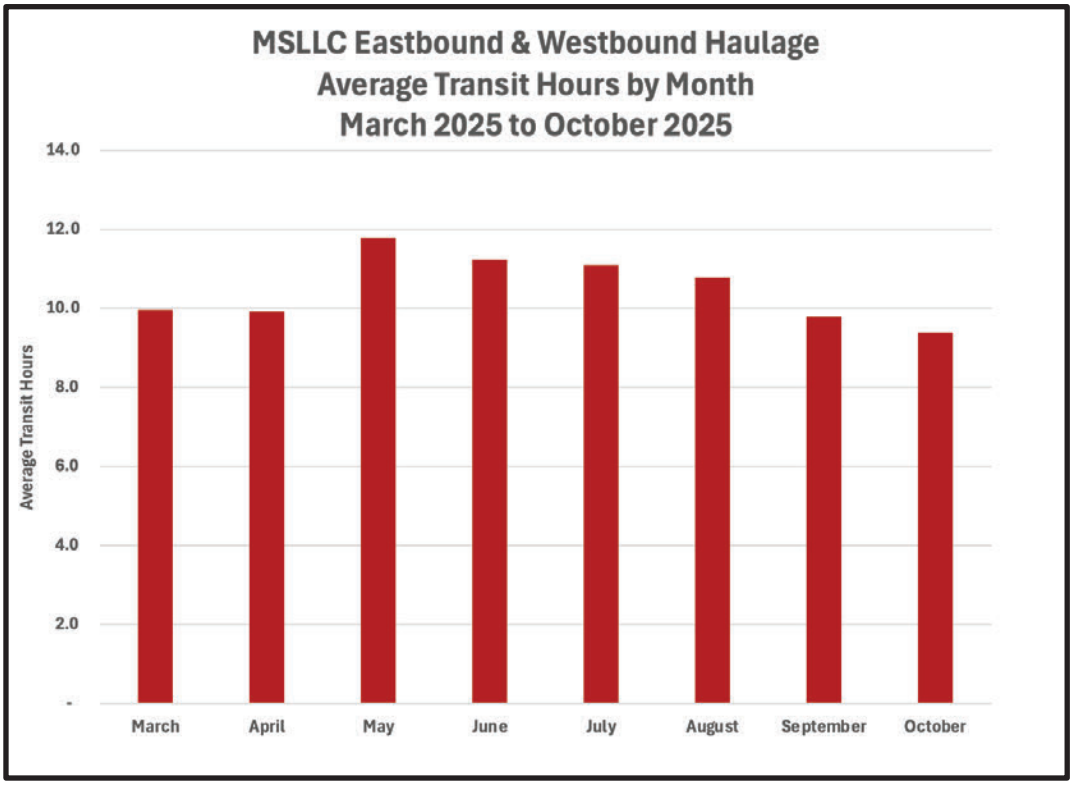


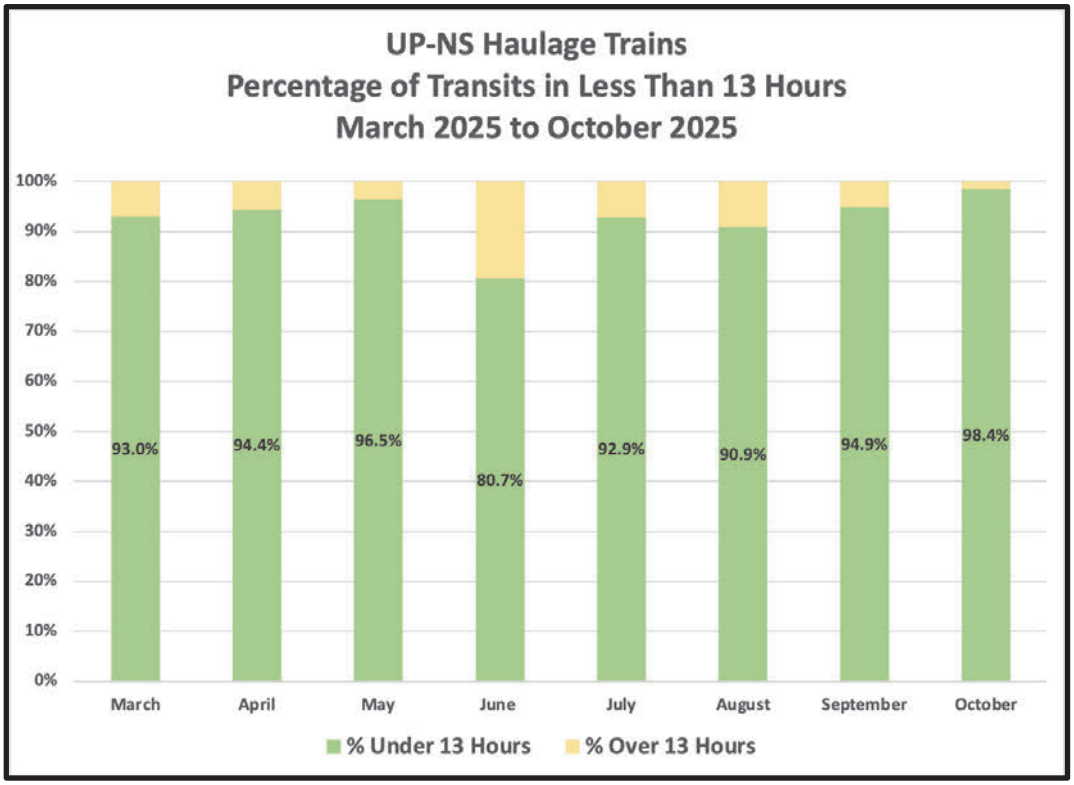
Figure 6 below zooms in on the period since January 2025, and shows the steady trend of improving transit times in recent months.

FIGURE 6
TRANSIT TIMES ON MERIDIAN SPEEDWAY FOR UP-NS HAULAGE TRAINS SINCE MARCH 2025



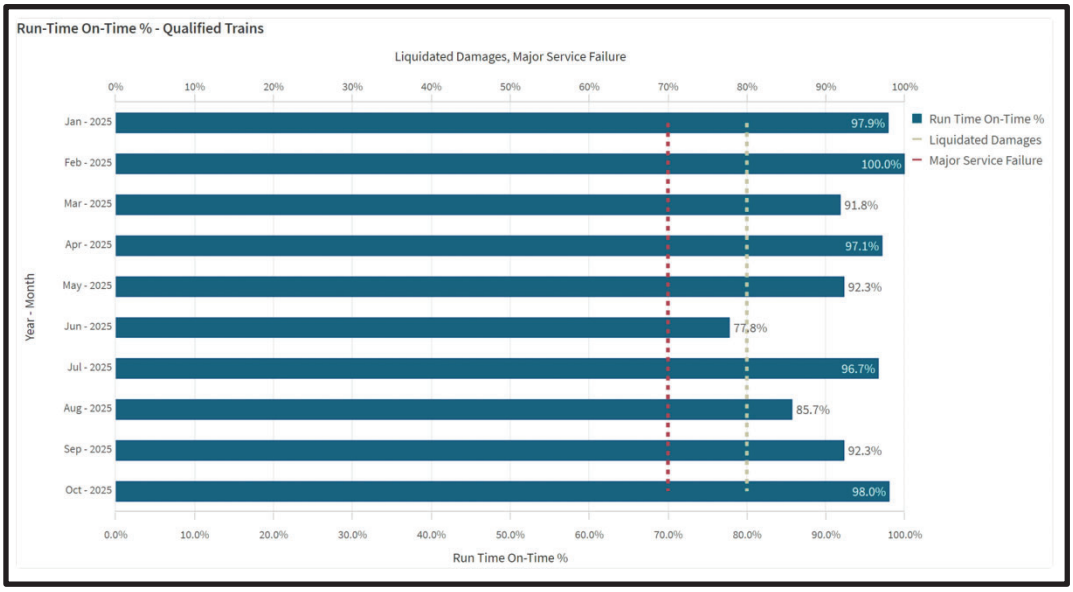
NS also contends that a high *percentage* of haulage trains are "transit time failures." This assertion is incorrect for the same reason: NS is not measuring transit times correctly. Figure 7 below shows the percentage of UP-NS haulage trains that meet NS's 13-hour target between March and October 2025 based on correctly calculated transit times. As reflected in that Figure, performance was affected briefly in the aftermath of CPKC's Day N difficulties, but performance has rebounded with no lingering adverse effects.

FIGURE 7
PERCENTAGE OF TRANSIT TIMES LESS THAN 13 HOURS FOR NS-UP HAULAGE TRAINS



As noted above (at page 12, note 11), including *all* of the UP-NS haulage trains in transit time calculations is not how the parties measure CPKC's performance against contractual Service Standards data. CPKC's contractual service commitments apply only to "qualifying" trains, as the MSLLC agreements specify. Figure 8 below shows the percentage of "qualified" UP-NS haulage trains that met contractual transit time standards. Excepting a dip in June, that percentage has consistently been well above contractual standards.

FIGURE 8
PERCENTAGE OF QUALIFIED UP-NS HAULAGE TRAINS MEETING SERVICE STANDARD
JANUARY 2025 TO OCTOBER 2025



NS complains that measuring only qualified trains somehow is unfair, since according to NS the Board's oversight authority extends "beyond narrow contractual interpretations." NS Letter at 1. CPKC acknowledges the Board's broad authority, but the service standards agreed to between NS and CPKC are indeed relevant. In light of CPKC's strong transit time performance regardless of which group of trains is measured, this debate is largely academic. But NS is also wrong to suggest that CPKC should be held accountable for the transit times of trains that are not "qualifying" under the parties' agreements. To the contrary, the standards for a train being "qualified," and thus subject to measurement against the contractual service standards, are directly relevant to whether CPKC should be held responsible for delays to those trains. NS expressly agreed, for example, that CPKC should not be responsible for the performance of trains that are delayed as a result of "scheduled maintenance windows," "crossing accidents," holidays, and weather incidents and other "force majeure" events. In addition, NS expressly

agreed that trains do not qualify for measurement against service standards if NS or its interline partner fails to provide locomotive horsepower meeting prescribed standards.[12]

In fact, many of NS's haulage trains are not "qualifying" because NS and UP have persistently underpowered them. The data presented in NS's letter to the Board covered NS haulage trains operated between March 1 and August 31, 2025. Of the 185 westbound haulage trains delivered to CPKC at Meridian, 41 (or 22%) were deemed not "qualifying" because they failed to comply with the HPT standards established by the MSLLC JOC. Likewise, of the 153 eastbound haulage trains delivered to CPKC at Shreveport, 14 (nearly 10%) were underpowered and thus not "qualifying."[13] Lower HPT ratios translate to more sluggish train acceleration, and thus contribute to slower transit times and greater consumption of track capacity, compromising performance of all other trains using the line. It seems that NS and UP are choosing to prioritize locomotive productivity metrics over the fluidity of the Meridian Speedway for the benefit of all of the customers (NS's and CPKC's alike) that expect reliable service there.[14]

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[12] *See* MSLLC NS Joint Use Agreement, Commercial Appendix B, § 2(B)(1). NS is contractually responsible for providing locomotives used on its haulage trains. *See* MSLLC NS Joint Use Agreement, § 2(b)(iii). In June 2010, the MSLLC JOC agreed that the governing HPT standard for UP-NS haulage trains would be 2.15 horsepower-per-ton.

[13] As noted above (at page 12, note 11), since 2019 fully one-third of all UP-NS haulage trains were disqualified from measurement against the contractual Service Standard, and more than three-quarters of those disqualifications were on account of the train being underpowered. Ironically, NS's Chief Operating Officer touts NS's progress in achieving significant reductions in horse-power-per ton ratio since 2019. *See* Norfolk Southern Corp. Q3 Earnings Call Transcript (Oct. 24, 2025) (Exh. 1 hereto) at 12 (remarks of John Orr) ("right now, we're running a year-to-date, 23% less horsepower per ton").

[14] CPKC's Chief Operating Officer recently communicated this point to his counterpart at NS. *See* Letter from Mark Redd to John Orr (Oct. 4, 2025) at 3 (Exhibit 2 hereto).

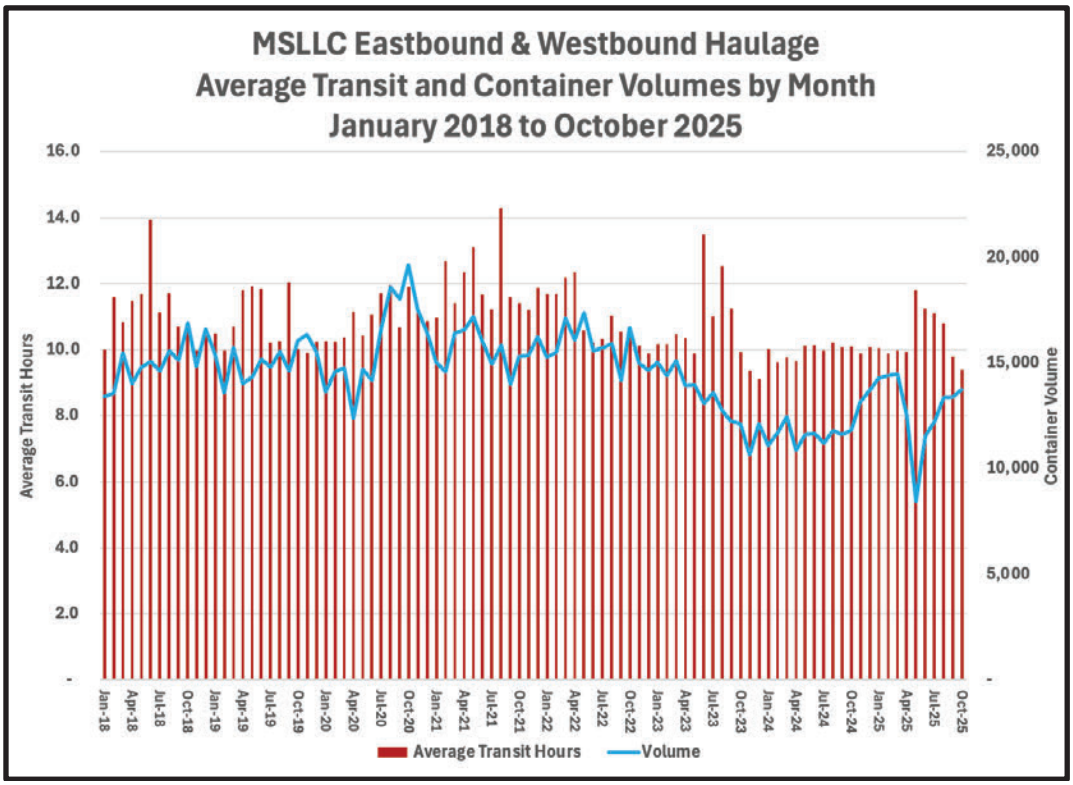
C. Norfolk Southern's Claims About Traffic Loss Are a Red Herring

Norfolk Southern's claim that service performance on the Speedway since CP acquired control of KCS in 2023 has somehow been responsible for declines in the volume of traffic handled in UP-NS haulage service is equally erroneous. Let's examine the facts.

As a threshold matter, it is obvious that service on the Meridian Speedway (as good as it has been) is not the determinant of the how intermodal customers experience the transcontinental rail transportation that UP and NS are offering their customers. The 300 miles of the Meridian Speedway represent a tiny fraction of the 2,000-plus rail miles UP-NS haulage traffic takes between UP west coast intermodal terminals and NS terminals in Atlanta and other Southeast points. Perhaps not surprisingly, that traffic is often already running late when it arrives from UP at Shreveport or from NS at Meridian from the east, as a result of service issues on the UP and NS rail networks. And CPKC imagines that UP-NS haulage shipment also get later after they move from the Speedway onto UP's or NS's networks.

The specious nature of UP's and NS's claims is also revealed by examining the volume of haulage traffic over time and average transit times during the same period. Figure 9 below superimposes the volume of containers handled on the UP-NS haulage trains interchanged onto the Figure 4 chart showing the average transit times of those trains on the Speedway. Three things are apparent.

FIGURE 9
UP-NS HAULAGE CONTAINER VOLUMES



First, the period since 2019 with the highest volume levels was from mid-2020 through early 2022, which coincides with the widely observed surge in intermodal traffic occasioned by COVID-era consumption and import patterns and the related shortage of truck drivers.

Second, volumes began to decline steadily in early 2022, more than a year *before* CP acquired control of KCS in April 2023. That decline began during a period of strong transit time performance, dispelling NS's myth that deteriorating transit times drove traffic away. Among the macroeconomic factors leading to that trend was the significant decline in trucking rates coming out of the COVID pandemic.[15]

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[15] *See, e.g., "COVID aftershocks still imperil freight companies: There are too many trucks for too little freight*," FreightWaves (Sept. 17, 2024) ("The post-pandemic boom spurred freight companies to overinvest in equipment to capitalize on then-high demand. However, freight hauling rates have

Third, the volume declines of 2022-2023 reversed in the fall of 2023, just months after CP acquired control (and also during a period of strong post-transaction transit time performance on the Speedway). Again, nothing about the CP/KCS transaction had any negative effect on NS haulage volumes. In fact, volumes rose sharply through March 2025 until suffering a brief downward spike in April and May 2025. The slight drop-off in April no doubt resulted from the announcement of increased tariffs on imports from China, which also had led to a bump-up in volumes in the months leading up to April as importers accelerated imports ahead of those tariffs.[16] It is telling that NS's Chief Marketing Officer gave similar advice to securities analysts, contending that NS's intermodal volumes were challenged by "navigating the complexity of ongoing trade and tariff uncertainty" and "persistently abundant highway truck capacity."[17]

The sharper decline from April to May and rebound in June was at least in part the result of CPKC's May 3 IT system cut-over. As Figure 9 also shows, volumes recovered sharply in the June-October period. Service reliability may have been an issue in June 2025, but it has not been since then.

The Board should also understand that NS's discussion of haulage volumes on the Speedway is not entirely candid about the other factors that influenced those volumes. In late 2024, a few months before the sharp downturn in NS haulage volumes, UP announced that it was

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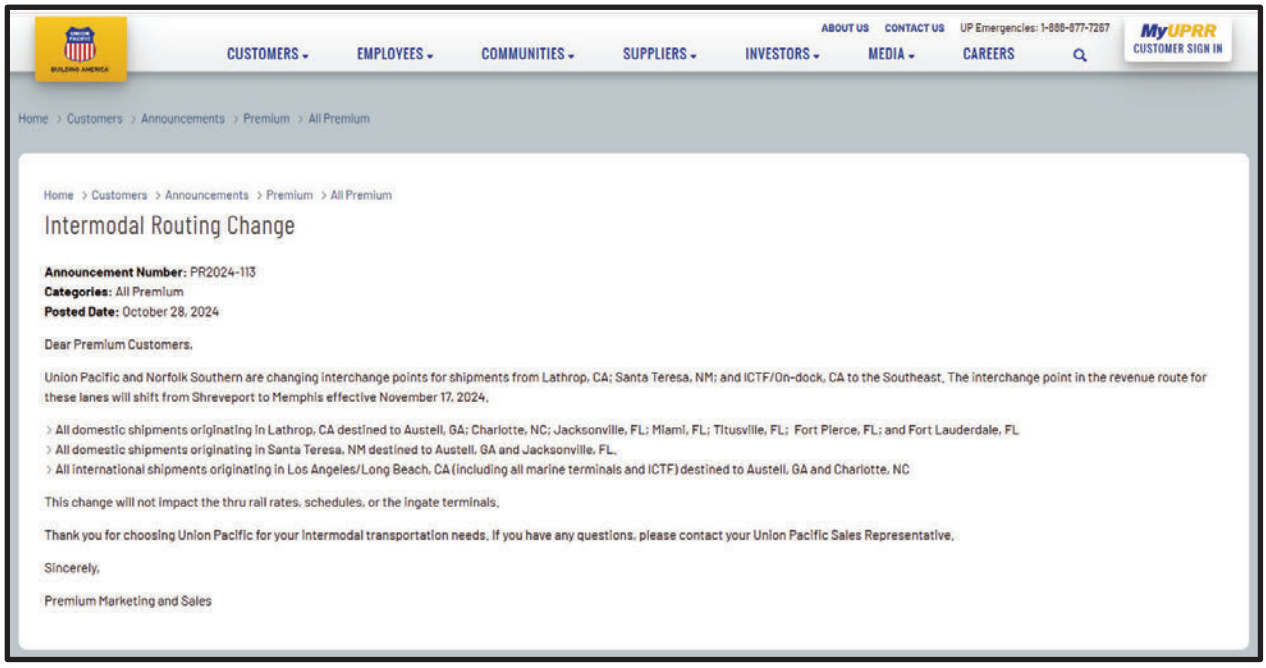
pancaked since 2022, and there are simply too many trucks for too little freight."), *available at* https://www.freightwaves.com/news/covid-aftershocks-still-imperil-freight-companies#:~:text=The%20FreightWaves%20SONAR%20Outbound%20Tender,trucks%20for%20too%20little%20freight.

[16] *See, e.g.,* https://www.weforum.org/stories/2025/06/trumps-us-china-trade-tariffs-timeline/.

[17] Norfolk Southern Corp. Q3 Earnings Call Transcript (Oct. 24, 2025) (Exh. 1 hereto) at 4 (remarks of Ed Elkins). Mr. Elkins also noted that in "intermodal markets, we expect softer import demand in the near-term. This reflects the impact of tariff volatility and growing trade pressures. Warehousing capacity remains tight as inventory levels expanded at the beginning of the year ahead of tariffs, and truck capacity remains oversupplied." *Id.*

shifting UP-NS intermodal traffic away from Shreveport to the Memphis gateway. Specifically, UP announced that it was diverting domestic intermodal traffic moving from Northern California (at Lathrop) to key destinations in the Southeast and international intermodal traffic from the Ports of Los Angeles and Long Beach in Southern California to those destinations from Shreveport to Memphis. *See* Figure 10 below.[18] This shift was possible because, under the MSLLC agreements, CP's control of KCS automatically removed NS's contractual volume commitments, allowing NS to divert Speedway haulage traffic to other UP-NS interline routes. It is not surprising that the UP shift from Shreveport to Memphis showed up in NS's haulage volumes.

FIGURE 10
UP ANNOUNCEMENT REGARDING SHIFT FROM SHREVEPORT TO MEMPHIS GATEWAY



[18] *See* https://www.up.com/customers/announcements/premium/internationalintermodalpriceandservice/PR2024-113.html

The bottom line is clear: NS haulage traffic is not suffering from the level of service that CPKC provides, but rather from macroeconomic factors and NS's and UP's own business decisions.

IV. THE REAL ISSUE HERE IS UP'S INSISTENCE ON DELIVERING 11,000-FOOT TRAINS FOR MOVEMENT ON A RAIL LINE BUILT FOR 8,500-FOOT TRAINS

UP's letter and verified statement make abundantly clear that the real issue here is CPKC's decision, effective August 25, 2025, to re-establish a uniform 8,500-foot limit on the length of trains operating on the Speedway. The cause of the dwell UP complains of is UP's desire to continue building over-length 11,000-foot trains and sending them across a single-track route with sidings designed and built to accommodate trains up to 8,500-feet long.

A. CPKC Acted Responsibly When It Limited Train Lengths to Reflect Siding Lengths on the Meridian Speedway

UP's witness is up-front about the fact that he does not know why CPKC would impose an 8,500-foot restriction on train length. The reason is one that NS and UP are very aware of: the operation of UP's over-length eastbound train materially degrades the performance of the other trains on the line. Following its acquisition of control of KCS, CPKC witnessed the impact these trains were having on all of the other trains using the Meridian Speedway and the rail customers those trains support, and CPKC acted as a good steward of service when it chose to require that the length of that train conform to the design of the line's sidings.

When KCS and NS entered into the MSLLC joint venture in 2006, they proceeded to make major investments to upgrade capacity on the Meridian Speedway to support more, faster, and longer trains. Prior to those investments, siding lengths on this single-track line had generally limited operations to trains no longer than 7,500 feet. The new and extended sidings in which MSLLC invested were designed to an 8,500-foot train length standard, and the 2006 Joint Use Agreement entered into among MSLLC, NS and KCSR reflected that fact. Section 6(b)(v)

provides that, upon completion of the planned capital improvement work, the "maximum length of NSR trains" would be "increased to no less than 8,500 feet," with longer trains permitted only up to the maximum length of "other train[s] regularly operated over" the line.[19]

The 8,500-foot limit was chosen because, even with the MSLLC investments, only three sidings out of the 20 in the 300 miles between Shreveport and Meridian can accommodate trains longer than 8,500 feet. The Speedway has a passing siding every 15 miles, but there is a siding that can fit an 11,000-foot train only every 100 miles on average, with gaps between the longer sidings (from west to east) of 48.5 miles, 38 miles, 109 miles, and 95 miles. This configuration means that when UP delivers an eastbound train longer than 8,500 feet at Shreveport, the movement of that train across the Speedway inevitably causes operational disruption by forcing all opposing traffic to take sidings.

The operational impacts of over-length trains on the Speedway have been understood by NS and KCS for some time. In 2020, three years before the CP/KCS combination, KCS discussed with NS representatives the impacts of running over-length trains on the Speedway. KCS presented to the MSLLC Management Committee data showing that the advent of longer trains had driven up run times for all trains on the Speedway. In November 2020, the issue was again discussed, and KCS's recommendation was to "add[] Capital to extend sidings." It was understood that without longer sidings longer trains would adversely impact transit times:

> "• If we choose not to spend Capital, and require KCS to make current "Run Time Requirement", *we will be forced to make all Roads reduce back to an 8500' restriction*.
>
> "• If we want to continue to allow UP, NS, and KCS to exceed the 8500' restriction, we will need to extend the "Run Time Agreement" and adjust the TSP slightly.

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[19] The same provision noted that, prior to the completion of the improvements, train length would be "7,500 feet" unless a higher maximum length was permitted for trains regularly operated over the trackage.

> • If we do decide to spend the Capital to extend sidings, we will still need some flexibility on Runs times and TSP until that Capacity is in service."[20]

NS was not prepared to fund longer sidings to support longer trains, but the run-time requirement nonetheless was not adjusted upward. In May 2022, KCS acted unilaterally to reduce the length of the eastbound intermodal train it was originating at the Wylie Terminal near Dallas to a maximum of 8,500 feet. In August 2022, KCS presented the MSLLC Management Committee with data showing that this step alone had led to immediate improvements in transit time performance on the Speedway.

For its part, NS's comments in the *CP/KCS* proceeding in 2022 expressed grave concern about running trains that were too long for the sidings on the Meridian Speedway. NS argued that new trains proposed in Applicants' Amended Operating Plan "would not fit in the existing sidings" on the Speedway and as a result would cause "all other traffic (including all other trains carrying NS's interline and haulage intermodal traffic) on the line … to hold in sidings while the new trains passed."[21]

Experience since August 25, 2025 validates CPKC's decision to limit train length to available siding capacity. CPKC has found that transit times for all trains on the Speedway—not just NS's haulage trains—improved markedly as soon as the over-length UP-NS train was shortened to fit within available sidings. In the aggregate, removing the one over-length train from the Speedway reduced the aggregate delays incurred by other trains on the Speedway by

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[20] Email from Steve Simmons to Jeffrey Songer (Nov. 6, 2020) (reporting on teleconference between KCS and NS) (Exhibit 3 hereto) (emphasis added).

[21] *CP/KCS*, Amended Comments of Norfolk Southern Ry. & Request for Conditions (NS-12) (filed June 9, 2022) at 24. CPKC disagreed with the degree of concern NS had expressed (*see CP/KCS*, Decision No, 35 at 132), but CPKC's experience since April 2023 with long trains on the Speedway has convinced it that NS's concerns were valid.

more than ten hours a day. CPKC expected this result, since the shortening of these trains meant that dispatchers now can arrange train meets more efficiently, minimizing the time the first train to the siding must wait for an opposing train to arrive. Although the most direct benefit was to allow westbound trains to proceed more expeditiously from Meridian to Shreveport without needing to swim against the tide of the mammoth UP-NS eastbound train, those improvements also benefitted transit times for eastbound trains by moving the previously-delayed westbound trains off the line faster and freeing up siding capacity.

B. There Is No Basis for Board Action to Address the Hollywood Yard "Dwell" UP Says It Is Experiencing

UP's letter does not take issue directly with CPKC's decision to re-establish an 8,500-foot train length limitation. Instead, the "service" issue that UP addresses is increased dwell for railcars at UP's Hollywood Yard in Shreveport since August 25, 2025, when CPKC implemented the 8,500-foot limitation. The increase in dwell at Hollywood Yard, however, is the natural consequence of UP's decision—notwithstanding UP's awareness of the 8,500-foot limit—to continue to push over-length trains towards the Speedway from origins on UP's Western U.S. network, despite knowing that UP would have to shorten those trains at Hollywood Yard. The time that the over-length railcars spend waiting for another train to move them east, plus the time required to perform the shortening, naturally shows up in Hollywood Yard dwell statistics. UP apparently sees advantages in continuing to originate long trains for movement across its own network rather than building length-compliant trains that could move seamlessly onto the Speedway, as UP's trains historically did. But the consequences of UP's train design choices for dwell at Shreveport are not CPKC's responsibility.

In any event, the "investigation" UP requests is not necessary for another reason. CPKC and NS have been working together to address the transition to a uniform 8,500-foot train length

limitation on the Speedway. Between August 25 and October 1, CPKC operated seven additional eastbound haulage trains to accommodate the traffic removed from trains when UP down-sized them at Hollywood Yard.

CPKC is working with NS in other ways as well. On September 16, 2025, NS formally requested that CPKC support a pair of additional daily haulage trains (one eastbound and one westbound), and CPKC is accommodating that request by training the crews needed to support that service. CPKC informed NS that it expected the new daily train pair to commence operating on November 17. In the meantime, at a September 30, 2025 meeting of the MSLLC JOC CPKC offered to allow a continued exception from the train length limitation for one daily eastbound departure from Shreveport, provided that NS compensated CPKC for a portion of the added costs associated with the impact of running that train on the other trains operating on the Speedway. On October 1, NS agreed to the terms offered by CPKC,[22] and the first over-length eastbound train ran on October 3. UP's concerns accordingly are now moot—the single daily eastbound overlength train that had operated prior to August 25 will continue to operate until the additional train pair requested by NS begins operating, which will happen within a matter of days from now.

C. UP's Insistence on Delivering 11,000-Foot Trains at Shreveport Disregards the Needs of Others

Notwithstanding the ample justification for CPKC's decision to limit train length to 8,500 feet, recent public comments of UP's CEO Jim Vena suggest that UP is not willing to tolerate having neutral operating rules limit its freedom of action, and may retaliate against CPKC using

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[22] *See* Exhibit 4 hereto.

its control of the UP trackage over which CPKC must operate to reach Mexico. Speaking at a conference in Chicago on September 30, Mr. Vena reportedly said the following:

> "I think we'd have a different outcome with CPKC because we operate a lot of their trains and we allowed them to run on our railroad to get to Mexico. We need to have a coming to Jesus moment. All of a sudden you wake up and then you tell me that you're short of crews. Well, you're short of crews because you decided not to run this 11,000 foot train that you always used to be able to run. There it is. I'm not happy with it. Hopefully, they wake up and change their mind and go back to operating the trains the way they were supposed to. That's why cooperation agreements don't work."[23]

Mr. Vena, of course, is wrong in suggesting that trains were "supposed to" operate in the over-length configuration that Mr. Vena desires. That configuration may benefit UP, but as shown above it inflicts pain on all of the other rail customers using the Meridian Speedway.

More troubling still is Mr. Vena's apparent desire to force the outcome UP desires through coercive retaliation. CPKC is not sure what Mr. Vena means by a "coming to Jesus moment," but CPKC does understand Mr. Vena's remarks to be threatening to use UP's control over CPKC's trackage rights route to Mexico to coerce an outcome UP prefers on the Meridian Speedway. Mr. Vena has done that before, in October 2023. Mr. Vena's view of "cooperation agreements" appears to be that other railroads give UP whatever UP wants or UP won't cooperate. If that is what UP expects, it is no surprise that Mr. Vena feels compelled to acquire other railroads as a means of bending them and the customers they serve to UP's will.

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[23] These remarks were reported in a Journal of Commerce article published on October 2, 2025. *See* Journal of Commerce, Michael Angell, "*CPKC pushes back on NS complaint over Meridian track access*" (Oct. 12, 2025). That article quotes Mr. Vena's remarks in part and reports on them more fully. CPKC understands the quotation in text to accurately reflect Mr. Vena's oral remarks on October 1 at the Journal of Commerce Inland Distribution Conference in Chicago.

CPKC initially established the 8,500-foot train length limit for trains on the Meridian Speedway in May 2023, and that limit became effective in June 2023.[24] Not coincidentally, Mr. Vena returned to UP as CEO in August 2023, and by October he had decided to retaliate for the Meridian Speedway limitation by imposing an arbitrary 8,000-foot limit on trains using UP's Brownsville Subdivision, a key link in CPKC's route to and from Mexico, despite knowing that CPKC's trains were readily accommodated by the frequent long sidings in that corridor.[25] There was no justification for this, particularly since KCS had recently spent tens of millions of dollars to add or lengthen the sidings there to support train lengths of 12,000 feet (as shown on UP's train length diagram map, which is Exhibit 6 hereto). An excerpt of that map showing the "12k" train length limit on the portion of the Brownsville Sub used by CPKC trains (*i.e.*, between

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[24] Writing to UP in October 2023, CPKC explained why it had limited train lengths to 8,500 on the Meridian Speedway:

> "Our experience – backed up by observations during the period when exceptions were allowed – shows that running even one overlength eastbound train causes extensive delays to other trains by forcing all opposing trains to take sidings to let that train pass, which in turn impacts the performance of other eastbound trains as well. Those service impacts are not consistent with our obligations to meet service assurances to our customers and otherwise run a railroad efficiently. Indeed, the re-imposition of an 8,500-foot limit in late May led to improvement in the reliability of train operations on the Meridian Speedway. Accordingly, it would not be reasonable or responsible for us to remove the 8,500-foot limit at this time."

Email from Raymond Elphick (CPKC) to Rick Lichtas (UP) (Oct. 24, 2023) (Exhibit 5 hereto).

[25] CPKC uses UP's Brownsville Subdivision between Bloomington, TX and Robstown, TX as part of its route between Houston and the Laredo gateway.

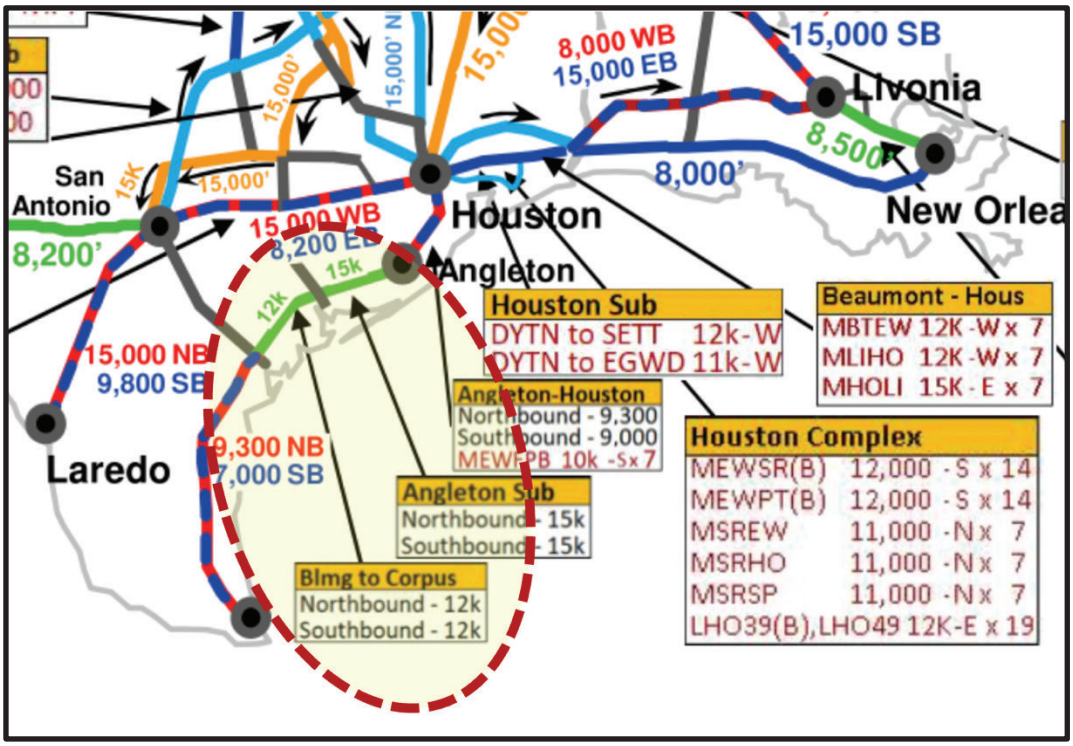
Bloomington and Corpus Christi) is Figure 11 below.[26] NS, by contrast, has not been willing to spend the money necessary to lengthen sidings on the Meridian Speedway.[27]

[26] Between 2011 and 2019, KCS helped fund four new long sidings or siding extensions on or adjacent to the portion of the Brownsville Subdivision between Bloomington and Robstown to support the movement of long trains, as shown in the Table below. UP's trains on that line tend to be shorter because they also traverse UP lines north or south of the Bloomington-Robstown segment where UP has not made investments in longer sidings.

SIDING BUILT OR LENGTHENED WITH KCS FUNDS	STATE IN 2011	CURRENT STATE
Benavides Siding (at Placedo, TX)	Did Not Exist	10,400 ft. siding
Inari Siding	7,667 ft. siding	10,000 ft. siding
Greta Siding	7,270 ft. siding	14,000 ft. siding
Cranell Siding	Did Not Exist	10,500 ft. siding

[27] Mr. Elphick's October 2023 email to Mr. Lichtas at UP explained that "CPKC would like to be able to support the operation of longer trains, and we would be willing to enter into tri-party discussions (among CPKC, UP and NS) to identify the infrastructure needs associated with such trains and how costs could be allocated in a manner that is fair to all parties. (As you may be aware, KCSR and NS have had extensive discussion about the investments needed to support longer trains, and NS has elected not to fund those investments.) Until infrastructure is added to support long trains on this line, it would be irresponsible for CPKC to allow those operations to proceed." *See* Exhibit 5 hereto.

FIGURE 11
EXCERPT FROM UP TRAIN LENGTH MAP



When CPKC's CEO Keith Creel asked Mr. Vena why he had imposed an 8,000-foot length limit on the Brownsville Sub, Mr. Vena answered unabashedly: "because you restricted my trains." It apparently did not matter to UP that the Meridian Speedway was designed for 8,500-foot trains, whereas the portion of the Brownsville Subdivision used by CPKC was designed for 12,000 foot trains. Mr. Vena retaliated using whatever leverage was at hand.

The UP train length limit immediately and severely affected CPKC's operations between the United States and Mexico, forcing unwarranted delays to more than a dozen trains during the first days of UP's edict. This leverage compelled CPKC to agree to an arrangement permitting the continued operation on the Meridian Speedway of a single eastbound UP-NS haulage train of up to 11,000 feet in length from Shreveport to Meridian in exchange for UP's lifting the Brownsville Subdivision limit and cooperating on other commercial matters. One of those matters involved the sale of a sliver of real property that CPKC needed to support double-

tracking its mainline in Blue Valley, Missouri, near Kansas City (one of the projects for which CPKC sought Board approval in the *CP/KCS* proceeding).[28]

In the intervening period after CPKC agreed to accommodate UP's insistence on delivering an overlength train for movement across the Meridian Speedway, UP's real estate department was processing the Blue Valley land sale agreement without issue, but Mr. Vena intervened to block that deal, apparently for no reason other than to obtain still more leverage over CPKC. Mr. Vena's repudiation of his promised cooperation at Blue Valley removed a key underpinning of CPKC's October 2023 acquiescence in the continued operation of the UP-NS 11,000-foot train. UP was well aware that CPKC would not continue to accede to that operation despite its consequences for the rail customers served by all of the other operations on the Speedway.

CONCLUSION

For the reasons discussed above, the concerns raised in the UP and NS letters lack merit and warrant no further action by the Board.

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[28] *See CP/KCS,* Decision No. 35 at 153; Final EIS at 2-15.

Respectfully submitted,



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VERIFICATION

I, Adolph Gameiro, declare under penalty of perjury under the laws of the United States of America that the factual content of the foregoing document is true and correct. Further, I certify that I am qualified and authorized to execute this Verification.

Executed this 11/13/2025 day of November, 2025

Signed by:
Adolph Gameiro
1ADB0EB90B89482...

Adolph Gameiro
Managing Director, Interline & Network Strategy

Docusign Envelope ID: 38528D36-D0E7-476C-AA

VERIFICATION

I, Stephen Simmons, declare under penalty of perjury under the laws of the United States of America that the factual content of the foregoing document is true and correct. Further, I certify that I am qualified and authorized to execute this Verification.

Executed this 11/13/2025 day of November, 2025

Signed by:
Steve Simmons
B33FB0F8931F421...

Stephen Simmons
Director of Border and Interline Operations]

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing CPKC's Reply to UP and NS Correspondence Regarding Meridian Speedway to be served electronically or by first class mail, postage pre-paid, on all parties of record in this proceeding.

/s/ David L. Meyer
David L. Meyer

November 13, 2025

PUBLIC REDACTED VERSION

BEFORE THE SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36500 (SUB-NO. 6)

CANADIAN PACIFIC RAILWAY LIMITED, ET AL. – CONTROL – KANSAS CITY SOUTHERN, ET AL. (GENERAL OVERSIGHT)

CPKC REPLY TO UP AND NS CORRESPONDENCE REGARDING MERIDIAN SPEEDWAY

EXHIBIT 1

NORFOLK SOUTHERN CORP. 3Q 2025 EARNINGS CALL TRANSCRIPT (EXCERPTS) (OCT. 24, 2025)

Q3 2025 Earnings Call

Company Participants

- Ed Elkins, Executive Vice President and Chief Commercial Officer
- Jason A. Zampi, Executive Vice President and Chief Financial Officer
- John Orr, Executive Vice President and Chief Operating Officer
- Luke Nichols, Senior Director, Investor Relations
- Mark R. George, President and Chief Executive Officer

Other Participants

- Bascome Majors, Susquehanna Financial Group, LLP
- Brandon Oglenski, Barclays Capital Inc.
- Brian Ossenbeck, J.P. Morgan Securities, LLC
- Chris Wetherbee, Wells Fargo Securities
- David Vernon, Sanford C. Bernstein & Co., LLC
- Jonathan Chappell, Evercore ISI
- Jordan Alliger, Goldman Sachs & Company, Inc.
- Richa Harnain, Deutsche Bank
- Scott Group, Wolfe Research, LLC
- Stephanie Moore, Jefferies LLC
- Thomas Wadewitz, UBS Securities, LLC

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to Norfolk Southern Third Quarter 2025 Earnings Conference Call. At this time, all participant lines are in the listen-only mode. Following the presentation, we will conduct a question-and-answer session. (Operator Instructions).

And I would like to turn the conference over to Luke Nichols, Senior Director, Investor Relations. Please go ahead.

Luke Nichols [redacted]

Good afternoon, everyone. Please note that during today's call, we will make certain forward-looking statements within the meaning of the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or future performance of Norfolk Southern Corporation, which are subject to risks and uncertainties and may differ materially from actual results. Please refer to our annual and quarterly reports filed with the SEC for a full discussion of those risks and uncertainties we view as most important.

Our presentation slides are available at norfolksouthern.com in the Investors section, along with a reconciliation of any non-GAAP measures used today to the comparable GAAP measures, including adjusted or non-GAAP operating ratio. Please note that all references to our prospective operating ratio during today's call are being provided on an adjusted basis.

Turning to Slide 3, I'll now turn the call over to Norfolk Southern's President and Chief Executive Officer, Mark George.

Mark R. George [redacted]

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With that, I'll turn it to you, Ed.

Ed Elkins [redacted]

Thanks much, John.

Now let's go to Slide 10, where you'll see that we achieved 2% year-over-year growth in both revenue and RPU in the quarter. We see several dynamics at play in the business portfolio. We have strength within our merchandise markets, partially offset by meaningful declines in export coal markets. We see reduced fuel surcharge revenue and softer than expected intermodal volumes. Overall, our volume for the third quarter finished flat, despite gross ton miles growth of 4%.

Let's look inside of merchandise. Volume grew 6% from a year ago, driven by our auto, chemical, and metals in construction markets. Revenue less fuel grew 7%, which underscores our pricing discipline and our volume performance. However, we had mixed headwinds from growth in commodities such as natural gas liquids, sand, and scrap metal, which diluted our overall RPU performance.

In intermodal, we're navigating the complexity of ongoing trade and tariff uncertainty, persistently abundant highway truck capacity, and outside factors, including competitor responses to our merger announcement, which caused volumes to decrease 2%. Intermodal revenue less fuel and RPU less fuel both grew, reflecting the overall stable pricing environment right now. Now here, I have to note that year-over-year RPU comparisons benefited from an abnormally high volume of empty shipments ahead of the East Coast port disruptions last year.

Let's turn to coal, where weakening seaborne coal prices drove RPU less fuel lower by 7%, and this was the most significant revenue headwind for the quarter. We enjoyed stronger demand in our Utility segment, but it didn't offset the sustained weakness in export. This interaction has been playing out throughout the year, and we expect it to persist.

Let's go to Slide 11, and talk about the market outlook. Like the third quarter, we continue to navigate a dynamic economic environment, along with competitive cross currents. For our merchandise markets, we forecast vehicle production will be challenged, in part due to recent disruptions at a key material supplier to our customers.

We expect this will have a meaningful impact to production at several NS-served automotive plants in the fourth quarter. At the same time, overall manufacturing activity remains mixed, with output expected to grow despite the backdrop of trade and tariff uncertainty. Strong fracking activity in the Marcellus/Utica basin is supporting demand, and NGLs in sand in our merchandise markets.

Looking into our intermodal markets, we expect softer import demand in the near-term. This reflects the impact of tariff volatility and growing trade pressures. Warehousing capacity remains tight as inventory levels expanded at the beginning of the year ahead of tariffs, and truck capacity remains oversupplied. Coal prices have remained pressured with significant uncertainty surrounding export trade. And at the same time, we're expecting utility demand to see continued support from growing electricity demand and lower existing coal stockpiles.

Now, these dynamics should be considered against the backdrop of our recently announced merger, which has intensified competitor activity across the industry. And as a result, we anticipate volume pressure, particularly in our intermodal segment. And so we're maintaining a cautious outlook for the remainder of 2025.

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Operator

Thank you. Next question will be from Tom Wadewitz at UBS. Please go ahead, Tom.

Q - Thomas Wadewitz [redacted]

Yes, good afternoon. Wanted to ask a little more on the topic of the competitive responses. I guess the kind of name that comes out and seems most prominent in Intermodal would be J.B. Hunt. And I just want to get a sense if you could help us think about to the extent that BN's going to exert some control here and push more business over to CSX. How much of the business do you think should be sticky to Norfolk?

I recall back quite a long time ago, you had some corridor initiatives that I think are differentiated, like the Crescent Corridor, lines that maybe CSX isn't going to serve markets as well. So I just want to see if you have some high-level thoughts on what can make business with J.B. Or Intermodal in general sticky in terms of network differences and how much, kind of risk is there of kind of BN forcing some business over CSX? Thank you.

A - Mark R. George [redacted]

So I think we talked about it before that more than half of our business with J.B. Hunt originates and terminates here in the East, and we continue to provide a really excellent service product to them, and we feel comfortable and confident with that, retaining that business. I think for the balance, particularly in certain geographies, perhaps in the Southeast that's really what's at risk right now that Ed can go in and talk about.

But I just want to reemphasize that one thing. About two decades ago, we started investing hundreds of millions of dollars to build out our Intermodal franchise. We built out that Premier Corridor and the Crescent Corridor. We've built terminals, and we have an unrivaled Intermodal franchise in the East. And it's a franchise that people want to be on because it provides the fastest route to the major markets and with a terminal footprint where customers want it to be.

So with time, cargo owners are going to want that business back on the NS, and we are going to work aggressively to help them get that cargo back on the NS. So, Ed, please chime in.

A - Ed Elkins [redacted]

Well, gosh, I think you pretty much summarized it, but let me say this. There are a number of key lanes where Norfolk Southern offers exceptional value for customers that really can't be replicated anywhere. There's -- I would say this, from experience, there's a reason why we have the second largest Intermodal franchise in North America, and it's because of the superior route structure that we've built out that Mark just referenced, and also a terminal network that gets you with your freight landed closer to the consumer than any other network out there.

So there's lots of things that can happen in terms of pushing freight around that what I would call, be unnatural. But over time, we're very confident, John and I are, that we put our heads together, make sure our service is exceptional the way it is now, we continue to partner with the right folks, we're going to be in good shape.

Q - Thomas Wadewitz [redacted]

I guess one component of that as well is just that CSX has had this major construction project in debottlenecking with their Howard Street Tunnel, and so that makes them a lot more efficient

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north-south along the east. Is that -- like is that a significant competitive impact, or do you think that's kind of an impact on a modest portion of your domestic?

A - Ed Elkins [redacted]

I can't really comment on that project for them. I hope it makes them a lot more competitive with trucks.

Q - Thomas Wadewitz [redacted]

Right. Okay. Thanks for the time.

A - Mark R. George [redacted]

Thank you, Tom.

Operator

Next question will be from Brian Ossenbeck at J.P. Morgan. Please go ahead, Brian.

Q - Brian Ossenbeck [redacted]

Hey, good afternoon. Thanks for taking the question. First, just a quick follow-up maybe for Ed. I think you mentioned that business that we're talking about here, it would come back to the network even without a merger. So maybe you can just elaborate exactly what would have to change if it's better service or competing more on price.

And then this may be for, on the upside, for John. When you think about fuel efficiency, I mean, we've always heard it was going to be a challenge at Norfolk because of length of haul and mix and a bunch of other things, weight. It looks like you've clearly broken through. Is that something you feel like you can get to sort of best-in-class levels with your peers? More thoughts on that would be helpful. Thanks.

A - Ed Elkins [redacted]

All right. I'll go first before I forget the question. When I think about service from the West Coast into the Southeast, I think about UP and NS utilizing the Meridian Speedway as the fastest, shortest route between those two regions -- period. There's not a better ride out there when it comes to that kind of freight for intermodal. So that's one thing.

The second thing is the exceptional amount of terminal capacity that we have and expertise to back it up, both in the Carolinas, Florida, as well as in Georgia. That's just going to be a force multiplier and has been. So we're confident that over time, cargo owners are going to make the right decision about where their freight's routed.

I'll hand it off to you, John.

A - John Orr [redacted]

Well, I'm glad you're noting the hard work the team has done on fuel. And I won't comment on what the art of the possible may have been thought through back then, but I'll tell you right now. And as we go forward, it's a big part of a strategy that includes all of our strategic sourcing and logistics approach, including the assessment of distribution, the use and consumption of the product, like fuel.

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And the current efficiency represents a significant dollar value. And if you look at the mosaic of measures that we present to you all, we're balancing speed, a locomotive productivity, the fuel burn. And we're looking at it, not how fast can we go just to get faster and to get to point A to point B quicker. We will, if that means we can use a crew at the end of that trip to use them within a yard and save money somewhere else.

But as we work through fuel consumption, we want to make sure that how we manage our fuel resources is aligned to what our train service plan is. And we're always looking at that service plan. We're taking more detailed approach on each element of it. What resources we need, how much fuel we need to move the tonnage, how soon we need to get to a customer so on a product level view, we're satisfying the contractual obligations and elevating our service metrics and how they face the customer.

And we're taking that, the nice thing is we're taking that approach in mechanical, how we service our locomotives, how we maintain our parts inventory, how we're putting stress on our engineering team through Ed Boyle and his great leadership and managing ties, plates, rail, ballast, all of those things. So across all of those things, whether it's fuel and operational resources, we're taking a really hard line approach on it.

So I think we've got room to grow on fuel. I don't have any end in sight to the value we can create managing all of those components, but I can tell you it's the tip of the iceberg as we move forward against all our enterprise resources.

A - Mark R. George [redacted]

And I would just add one other thing, Brian, is when I look back six years ago, when I came in, we had roughly high-teens percent of our locomotive fleet that was AC. And through those investments that we've been making every year systematically to upgrade our locomotive fleet from DC to AC, we're now approaching 80% AC. So that is definitely helping provide more runway for the future that John is extracting using the method that he's talking about. So that definitely is a driver as well, right?

A - John Orr [redacted]

Yes, and that gives us the runway. Let's look at 2019, which was one of the bellwether years from a financial and service perspective. And right now, we're running a year-to-date, 23% less horsepower per ton. When you have that discipline in managing locomotives, the utilization of your power, your crews, you're reducing your stops, you're creating more fluidity, it shows up in fuel and shows up in so many other P&L items. So you're right, Mark, those investments, those wise investments are paying dividends.

A - Mark R. George [redacted]

But the discipline you're bringing now for the things you're just talking about is really what's accelerating the benefits and providing more runway into the future. So congratulations on that.

A - John Orr [redacted]

Team effort, for sure.

A - Mark R. George [redacted]

Thanks, Brian.

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BEFORE THE SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36500 (SUB-NO. 6)

CANADIAN PACIFIC RAILWAY LIMITED, ET AL. – CONTROL – KANSAS CITY SOUTHERN, ET AL. (GENERAL OVERSIGHT)

CPKC REPLY TO UP AND NS CORRESPONDENCE REGARDING MERIDIAN SPEEDWAY

EXHIBIT 2

LETTER FROM MARK REDD (CPKC) TO JOHN ORR (NS) (OCT. 4, 2025)

Mark Redd
EVP & Chief Operating Officer

427 W 12th Street
Kansas City, MO 64105

T 816-705-4080
C 204-793-2374
Mark.redd@cpkcr.com

October 4, 2025

John.Orr@nscorp.com
Mr. John Orr
EVP and Chief Operating Officer
Norfolk Southern Corporation
650 West Peachtree St., NW
Atlanta, GA 30308

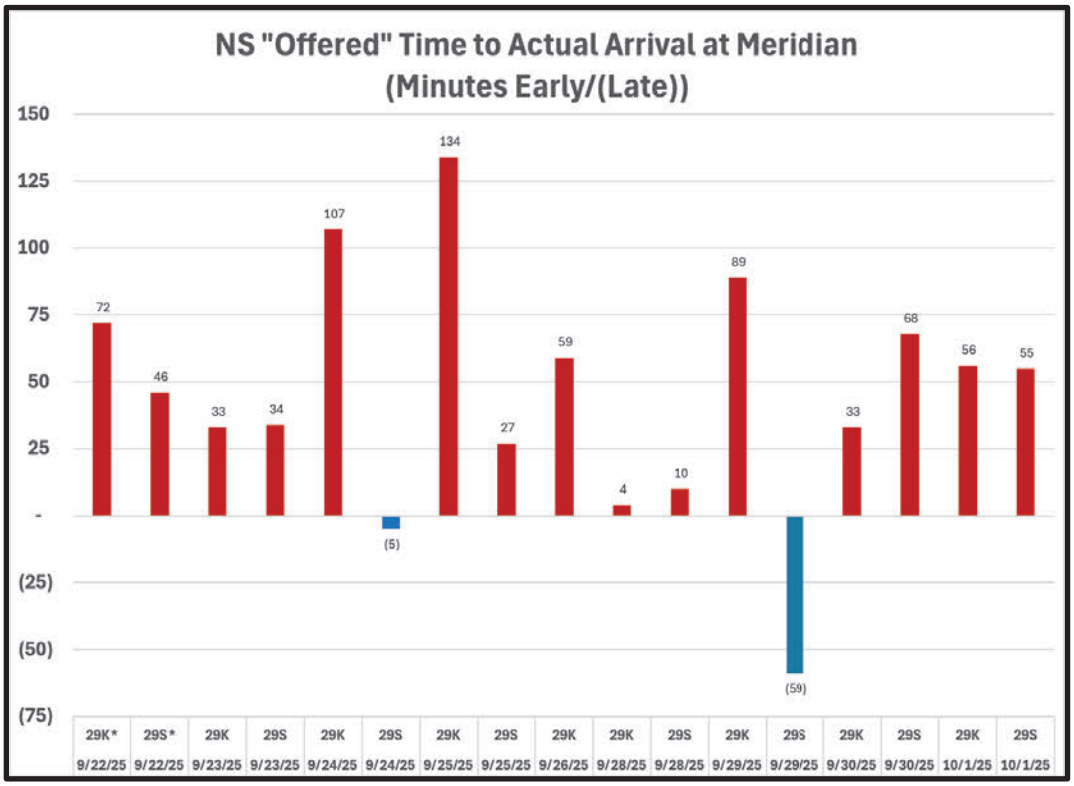
Dear John:

RE: Forecasting Train Availability and Qualifying Trains

I am writing about two issues concerning the operation of NSR haulage trains on the Meridian Speedway.

First, CPKC (as designated operator of MSLLC) requests that NSR improve its forecasts of westbound train availability at Meridian. As you know, NSR typically communicates a forecasted time when westbound haulage trains will be available for crewing by CPKC and departure onto the Speedway some hours before those trains actually arrive in Meridian.

Unfortunately, our recent experience shows that NSR's forecasts have been poor. NSR trains often arrive at Meridian long after the forecasted availability time, and they often are not ready to be crewed and departed by CPKC for considerable time after arrival on account of fueling and other work that NSR performs on its own lines in Meridian. Since September 22, of 17 westbound haulage trains, 15 arrived in Meridian later than the forecasted availability time that NSR communicated to CPKC (or the crew availability time that CPKC communicated to NSR), eight of those 15 arrived more than 50 minutes later than NSR's forecast, and two arrived more than an hour and a half later. This pattern is depicted in the chart below (with "*" denoting that the lag was from crew availability to train arrival). The number of minutes shown below that trains arrived later-than-forecast are in addition to the 30 minutes or more that many of NSR's westbound trains dwell on NSR tracks in Meridian while refueling before they can be crewed and departed by CPKC.



NSR's misestimates of train availability at Meridian jeopardize service quality for all customers using the Meridian Speedway. They impact the crew resources that CPKC is responsible for providing to move both NSR's haulage trains and all of the other trains operating on the Speedway. CPKC has based its crew calling on NSR's train availability forecasts, yet frequently the called crews spend hours waiting for NSR's westbound trains to arrive and be ready for movement onto the Speedway west of Meridian. This wasted time squanders crews' available hours of service and has required recrewing of trains before they reach Shreveport, which in turn unnecessarily consumes more crew resources and also makes track capacity unavailable to support fluid and efficient operations.

To remedy this problem, CPKC requests that NSR promptly improve the accuracy of its forecasts. We will monitor and evaluate progress over the coming weeks until Saturday, October 18, 2025, and if the pattern of inaccurate forecasts continues (whether those forecasts are earlier or later than trains are actually available to be crewed), we will have no choice but to revise our approach

to crew calling to reflect more reliable estimates of train availability, such as actual arrival in Meridian.

Second, I understand that NSR has recently expressed concern about the percentage of NSR haulage trains that are deemed "Qualifying" trains for purposes of assessing CPKC's compliance with the Service Standards in the MSLLC agreements. This is an issue largely within the control of NSR and its interline partners. As the data NSR recently presented to CPKC shows, between March 1 and August 31, 2025, of the 185 westbound haulage trains delivered to CPKC at Meridian, 41 (or 22%) were deemed not Qualifying because they failed to comply with the horsepower-per-ton (HPT) standards established by the MSLLC Joint Operating Committee (JOC). Likewise, of the 153 eastbound haulage trains delivered to CPKC at Shreveport, 14 (nearly 10%) were underpowered and thus not Qualifying.

As you know, lower HPT ratios translate to more sluggish train acceleration, and thus contribute to slower transit times and greater consumption of track capacity, compromising performance of all other trains using the line. It seems that NSR and its partners are choosing to prioritize locomotive productivity metrics over the fluidity of the Meridian Speedway for the benefit of all of the customers (NSR's and CPKC's alike) that expect reliable service there. If NSR desires that more of its haulage trains be included in calculations of Service Standard performance, I encourage you and your interline partners to power your trains in accordance with JOC standards.

Sincerely,



Mark Redd

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BEFORE THE SURFACE TRANSPORTATION BOARD

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CANADIAN PACIFIC RAILWAY LIMITED, ET AL. – CONTROL – KANSAS CITY SOUTHERN, ET AL. (GENERAL OVERSIGHT)

CPKC REPLY TO UP AND NS CORRESPONDENCE REGARDING MERIDIAN SPEEDWAY

EXHIBIT 3

EMAIL FROM STEVE SIMMONS (KCS) TO JEFFREY SONGER (KCS) (NOV. 6, 2020)

From: Steve D Simmons <SSimmons@KCSouthern.com>
Sent: Friday, November 6, 2020 10:39 AM
To: Jeffrey Songer <JSonger@KCSouthern.com>
Cc: Steven E. Truitt <STruitt@KCSouthern.com>; Mike Walczak <MWalczak@KCSouthern.com>
Subject: MSLLC JOC Meeting Update

Jeff,

Steve, Mike, and I had a call with Chip yesterday. The other NS JOC members were not able to join.

Steve reiterated the following from or last meeting;

- All Railroads, UP, NS, and KCS are running longer trains to reduce the number of trains, crews, and locomotives needed to run the same volume.
- Recommend adding Capital to extend sidings on the Meridian Speedway
- KCS Engineering has estimates on every siding on the route
- We have a list of the top 5 that we would recommend extending
- If we choose not to spend Capital, and require KCS to make current "Run Time Requirement", we will be forced to make all Roads reduce back to an 8500' restriction.
- If we want to continue to allow UP, NS, and KCS to exceed the 8500' restriction, we will need to extend the "Run Time Agreement" and adjust the TSP slightly.
- If we do decide to spend the Capital to extend sidings, we will still need some flexibility on Runs times and TSP until that Capacity is in service.

Chip stated the NS would like to do some modeling before they could agree to adding capacity. We are providing our TSP of the IM trains and plan to circle back later this month. Chip also stated that NS and UP have been in discussions about trains size that they would like to run. This could impact the MSLLC even more.

Chip also mentioned that Mike McClellan will be meeting with Pat next week. He did not give any details, but mentioned train length could be a topic.

Steve/Mike – please add to or correct any of the above.

Thanks,

Steve Simmons
Director of Interline Operations
The Kansas City Southern Railway Company
427 West 12th Street | Kansas City, MO 64105
Office: 816.983.1589 | Cell: 816.718.0891
Email: ssimmons@kcsouthern.com

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(GENERAL OVERSIGHT)

CPKC REPLY TO UP AND NS CORRESPONDENCE REGARDING MERIDIAN SPEEDWAY

EXHIBIT 4

LETTER AGREEMENT RE:
TEMPORARY ACCOMMODATION OF HAULAGE TRAINS OF NS TRAFFIC
EXCEEDING 8500 FEET IN LENGTH
(SEPT. 30, 2025)

From: "Orr, John" <John.Orr@nscorp.com>
Date: September 30, 2025 at 8:40:28 PM CDT
To: Mark Redd <mark.redd@cpkcr.com>
Cc: "Morris, Jason M." <Jason.Morris2@nscorp.com>
Subject: Re: JOC discussion

Mark
Thank you for the constructive discussion today, I have reviewed and accept the terms.
I will sign and send to you first thing when I am in office tomorrow.
I have conveyed the news to Yannik and Dewayne.
Have a good evening,
John

Get Outlook for iOS

From: Mark Redd <Mark.Redd@cpkcr.com>
Sent: Tuesday, September 30, 2025 9:28:19 PM
To: Orr, John <John.Orr@nscorp.com>
Subject: [EXTERNAL] JOC discussion

John, as discussed in the JOC today. I have attached a letter to cover temporary train length with a sum payable. Please review and sign for the ability to run over length.

Being tomorrow is Wednesday, I believe the first train received at Shreveport would be Thursday that can run through at 11k.

Thank you

Mark Redd
Executive VP and COO
204-793-2374

Mark Redd
Executive Vice-President and Chief Operating Officer

7550 Ogden Dale Road SE
Calgary, AB
Canada T2C 4X9

T (816)705-4080
C (204)793-2374

Mark.Redd@cpkcr.com

September 30, 2025

VIA E-MAIL: john.orr@nscorp.com
Mr. John Orr
EVP & Chief Operating Officer
Norfolk Southern Corporation
650 W. Peachtree Street NW
Atlanta, Georgia 30308

RE: Temporary Accommodation of Haulage Trains of NS Traffic Exceeding 8500 Feet in Length

Dear John,

I am writing to follow up on CPKC's offer at today's MSLLC Joint Operating Committee (JOC) meeting for MSLLC to suspend our train length limitation of 8500 feet and temporarily allow eastbound NS Haulage trains exceeding 8500 feet in length to move over MSLLC until approximately November 17, 2025, when the MSLLC expects to be able to implement the requested NS schedule changes as was previously discussed.

As discussed at today's JOC meeting and in repeatedly the past, there are currently only 3 sidings on MSLLC exceeding 10,000 feet in length. This creates significant operational issues when trains are received for NS Haulage service exceeding 8500 feet in length. Accordingly, consistent with the Norfolk Southern Railway Company - Meridian Speedway LLC Joint Use Agreement, in late August, CPKC as Designated Operator for MSLLC removed the temporary exception allowing NS to receive haulage trains of NS Traffic from Union Pacific at Shreveport up to 11,000 feet long. UP has not adopted operating practices in line with the current 8500-foot limitation.

Having said that, as a good faith exception in the interim and without establishing any precedence, CPKC, as Designated Operator, agrees to move 1 eastbound train per day of NS Traffic up to 11,000 feet in length received from UP at Shreveport and moving across MSLLC in haulage for NS until such time as the MSLLC is able to implement the requested NS schedule changes. CPKC shall give NS 3 days' notice when said schedule change is in place to return to the 8500-foot train

length limit on the number of trains of NS Traffic currently requested by NS. It shall be NS's responsibility to communicate restoration of the 8500-foot limit to NS's interline connections.

In exchange for this accommodation, NS shall pay CPKC a nominal surcharge of $2,500 USD (Two Thousand, Five Hundred and no/100 US Dollars) per train start for each train of NS Traffic exceeding 8500 feet in length moving under this temporary accommodation until CPKC restores the 8500-foot limit pursuant to this temporary accommodation. This nominal surcharge does not represent the full direct and indirect costs associated with the loss of capacity and inefficiency, but is a partial incentive for NS to be judicious when overburdening the infrastructure.

If the foregoing accommodation is acceptable to NS, please countersign in the blank indicated below. CPKC will institute the temporary exception for trains exceeding 8500 feet within 72 hours of receipt of NS's countersigned copy of this letter.

Sincerely,

Mark Redd

Acknowledged and agreed.

Printed name: John F. Orr

Date: 10/1/25

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CPKC REPLY TO UP AND NS CORRESPONDENCE REGARDING MERIDIAN SPEEDWAY

EXHIBIT 5

EMAIL FROM RAY ELPHICK (CPKC) TO RICK LICHTAS (UP) (OCT. 24, 2023)

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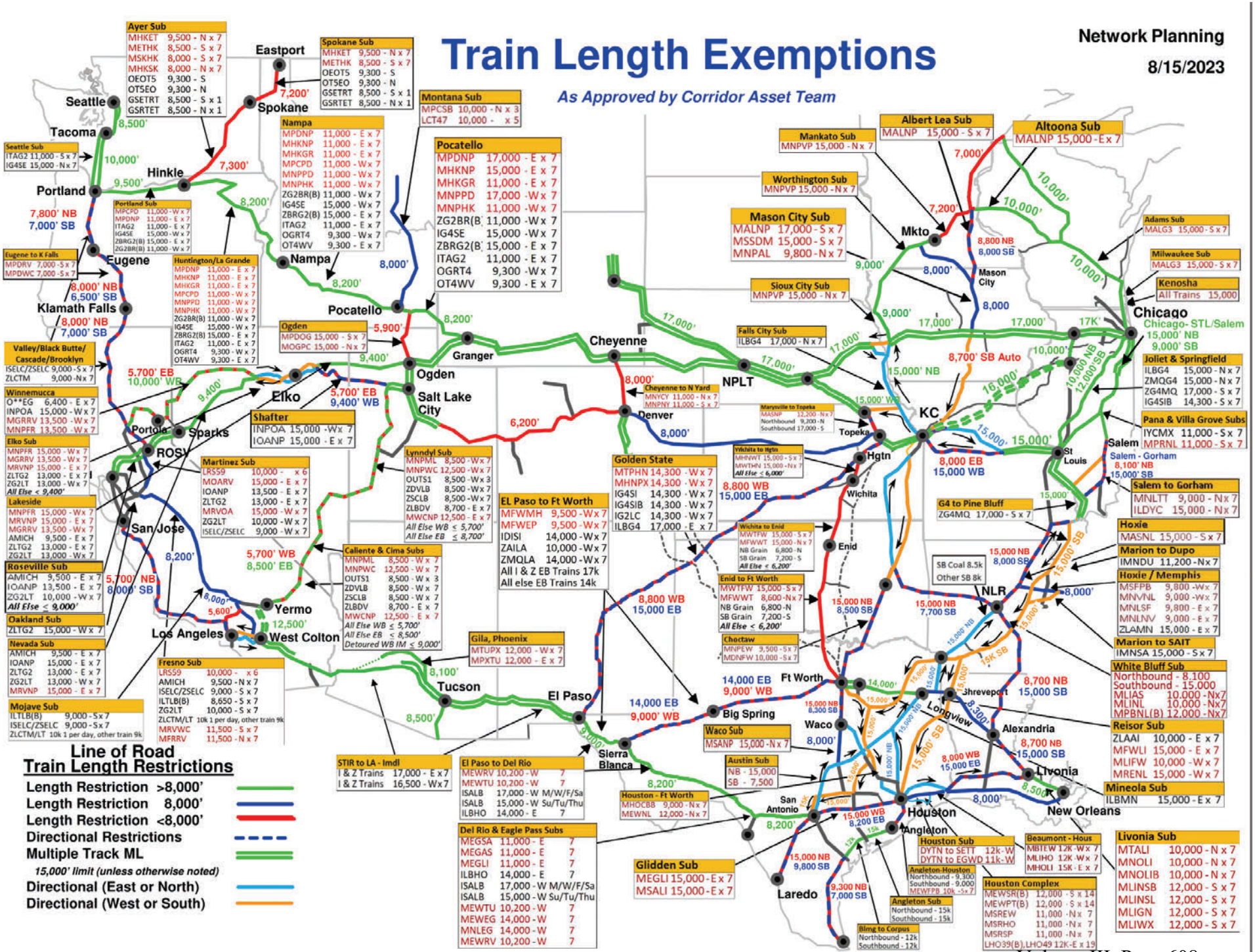
CPKC REPLY TO UP AND NS CORRESPONDENCE REGARDING MERIDIAN SPEEDWAY

EXHIBIT 6

UP SYSTEM TRAIN LENGTH DIAGRAM MAP


Train Length Exemptions
As Approved by Corridor Asset Team
Network Planning
8/15/2023
Line of Road
Train Length Restrictions
Length Restriction >8,000'
Length Restriction 8,000'
Length Restriction <8,000'
Directional Restrictions
Multiple Track ML
15,000' limit (unless otherwise noted)
Directional (East or North)
Directional (West or South)
Ayer Sub
MHKET 9,500 - N x 7
METHK 8,500 - S x 7
MSKHK 8,000 - S x 7
MHKSK 8,000 - N x 7
OEOT5 9,300 - S
OT5EO 9,300 - N
GSETRT 8,500 - S x 1
GSRTET 8,500 - N x 1
Spokane Sub
MHKET 9,500 - N x 7
METHK 8,500 - S x 7
OEOT5 9,300 - S
OT5EO 9,300 - N
GSETRT 8,500 - S x 1
GSRTET 8,500 - N x 1
Montana Sub
MPCSB 10,000 - N x 3
LCT47 10,000 - x 5
Nampa
MPDNP 11,000 - E x 7
MHKNP 11,000 - E x 7
MHKGR 11,000 - E x 7
MPCPD 11,000 - W x 7
MNPPD 11,000 - W x 7
MNPHK 11,000 - W x 7
ZG2BR(B) 11,000 - W x 7
IG4SE 15,000 - W x 7
ZBRG2(B) 15,000 - E x 7
ITAG2 11,000 - E x 7
OGRT4 9,300 - W x 7
OT4WV 9,300 - E x 7
Pocatello
MPDNP 17,000 - E x 7
MHKNP 15,000 - E x 7
MHKGR 11,000 - E x 7
MNPPD 17,000 -W x 7
MNPHK 11,000 -W x 7
ZG2BR(B 11,000 -W x 7
IG4SE 15,000 -W x 7
ZBRG2(B 15,000 - E x 7
ITAG2 11,000 - E x 7
OGRT4 9,300 -W x 7
OT4WV 9,300 - E x 7
Albert Lea Sub
MALNP 15,000 - S x 7
Altoona Sub
MALNP 15,000 - E x 7
Mankato Sub
MNPVP 15,000 - N x 7
Worthington Sub
MNPVP 15,000 - N x 7
Mason City Sub
MALNP 17,000 - S x 7
MSSDM 15,000 - S x 7
MNPAL 9,800 - N x 7
Sioux City Sub
MNPVP 15,000 - N x 7
Falls City Sub
ILBG4 17,000 - N x 7
Cheyenne to N Yard
MNYCY 11,000 - N x 7
MNPNY 11,000 - S x 7
Marysville to Topeka
MASNP 12,200 - N x 7
Northbound 9,200 - N
Southbound 17,000 - S
Wichita to Hgtn
MHNWT 15,000 - S x 7
MWTHN 15,000 - N x 7
All Else ≤ 6,000'
Golden State
MTPHN 14,300 - W x 7
MHNPX 14,300 - W x 7
IG4SI 14,300 - W x 7
IG4SIB 14,300 - W x 7
IG2LC 14,300 - W x 7
ILBG4 17,000 - E x 7
EL Paso to Ft Worth
MFWMH 9,500 - W x 7
MFWEP 9,500 - W x 7
IDISI 14,000 - W x 7
ZAILA 10,000 - W x 7
ZMQLA 14,000 - W x 7
All I & Z EB Trains 17k
All else EB Trains 14k
Wichita to Enid
MWTFW 15,000 - S x 7
MFWWT 15,000 - N x 7
NB Grain 6,800 - N
SB Grain 7,200 - S
All Else ≤ 6,200'
Enid to Ft Worth
MWTFW 15,000 - S x 7
MFWWT 8,600 - N x 7
NB Grain 6,800 - N
SB Grain 7,200 - S
All Else ≤ 6,200'
Choctaw
MNPEW 9,500 - S x 7
MDNFW 10,000 - S x 7
G4 to Pine Bluff
ZG4MQ 17,000 - S x 7
SB Coal 8.5k
Other SB 8k
Lynndyl Sub
MNPML 8,500 - W x 7
MNPWC 12,500 - W x 7
OUTS1 8,500 - W x 3
ZDVLB 8,500 - W x 7
ZSCLB 8,500 - W x 7
ZLBDV 8,700 - E x 7
MWCNP 12,500 - E x 7
All Else WB ≤ 5,700'
All Else EB ≤ 8,700'
Martinez Sub
LRS59 10,000 - x 6
MOARV 15,000 - E x 7
IOANP 13,500 - E x 7
ZLTG2 13,000 - E x 7
MRVOA 15,000 -W x 7
ZG2LT 10,000 -W x 7
ISELC/ZSELC 9,000 -W x 7
Shafter
INPOA 15,000 -Wx 7
IOANP 15,000 - E x 7
Caliente & Cima Subs
MNPML 8,500 - W x 7
MNPWC 12,500 - W x 7
OUTS1 8,500 - W x 3
ZDVLB 8,500 - W x 7
ZSCLB 8,500 - W x 7
ZLBDV 8,700 - E x 7
MWCNP 12,500 - E x 7
All Else WB ≤ 5,700'
All Else EB ≤ 8,700'
Detoured WB IM ≤ 9,000'
Gila, Phoenix
MTUPX 12,000 - W x 7
MPXTU 12,000 - E x 7
Fresno Sub
LRS59 10,000 - x 6
AMICH 9,500 - N x 7
ISELC/ZSELC 9,000 - S x 7
ILTLB(B) 8,650 - S x 7
ZG2LT 10,000 - S x 7
ZLCTM/LT 10k 1 per day, other train 9k
MRVWC 11,500 - S x 7
MFRRV 11,500 - N x 7
Mojave Sub
ILTLB(B) 9,000 - S x 7
ISELC/ZSELC 9,000 - S x 7
ZLCTM/LT 10k 1 per day, other train 9k
Roseville Sub
AMICH 9,500 - E x 7
IOANP 13,500 - E x 7
ZG2LT 10,000 -W x 7
All Else ≤ 9,000'
Oakland Sub
ZLTG2 15,000 - W x 7
Nevada Sub
AMICH 9,500 - E x 7
IOANP 15,000 - E x 7
ZLTG2 13,000 - E x 7
ZG2LT 13,000 - W x 7
MRVNP 15,000 - E x 7
Lakeside
MNPFR 15,000 - W x 7
MRVNP 15,000 - E x 7
MGRRV 13,500 -W x 7
AMICH 9,500 - E x 7
ZLTG2 13,000 - E x 7
ZG2LT 13,000 - W x 7
Elko Sub
MNPFR 15,000 - W x 7
MGRRV 13,500 - W x 7
MRVNP 15,000 - E x 7
ZLTG2 13,000 - E x 7
ZG2LT 13,000 - W x 7
All Else ≤ 9,400'
Winnemucca
O**EG 6,400 - E x 7
INPOA 15,000 - W x 7
MGRRV 13,500 -W x 7
MNPFR 13,500 - W x 7
Valley/Black Butte/ Cascade/Brooklyn
ISELC/ZSELC 9,000 - S x 7
ZLCTM 9,000 -N x 7
Eugene to K Falls
MPDRV 7,000 -S x 7
MPDWC 7,000 -S x 7
Seattle Sub
ITAG2 11,000 - S x 7
IG4SE 15,000 - N x 7
Portland Sub
MPCPO 11,000 - W x 7
MPDNP 11,000 - E x 7
ITAG2 11,000 - E x 7
IG4SE 15,000 - W x 7
ZBRG2(B) 15,000 - E x 7
ZG2BR(B) 11,000 - W x 7
Huntington/La Grande
MPDNP 11,000 - E x 7
MHKNP 11,000 - E x 7
MHKGR 11,000 - E x 7
MPCPD 11,000 - W x 7
MNPPD 11,000 - W x 7
MNPHK 11,000 - W x 7
ZG2BR(B) 11,000 - W x 7
IG4SE 15,000 - W x 7
ZBRG2(B) 15,000 - E x 7
ITAG2 11,000 - E x 7
OGRT4 9,300 - W x 7
OT4WV 9,300 - E x 7
Ogden
MPDOG 15,000 - S x 7
MOGPC 15,000 - N x 7
Del Rio & Eagle Pass Subs
MEGSA 11,000 - E 7
MEGAS 11,000 - E 7
MEGLI 11,000 - E 7
ILBHO 14,000 - E 7
ISALB 17,000 - W M/W/F/Sa
ISALB 15,000 - W Su/Tu/Thu
MEWTU 10,200 - W 7
MEWEG 14,000 - W 7
MNLEG 14,000 - W 7
MEWRV 10,200 - W 7
El Paso to Del Rio
MEWRV 10,200 - W 7
MEWTU 10,200 - W 7
ISALB 17,000 - W M/W/F/Sa
ISALB 15,000 - W Su/Tu/Thu
ILBHO 14,000 - E 7
STIR to LA - Imdl
I & Z Trains 17,000 - E x 7
I & Z Trains 16,500 - W x 7
Houston - Ft Worth
MHOCBB 9,000 - N x 7
MEWNL 12,000 - N x 7
Waco Sub
MSANP 15,000 - N x 7
Austin Sub
NB - 15,000
SB - 7,500
Glidden Sub
MEGLI 15,000 - E x 7
MSALI 15,000 - E x 7
Houston Sub
DYTN to SETT 12k-W
DYTN to EGWD 11k-W
Angleton-Houston
Northbound - 9,300
Southbound - 9,000
MEWPB 10k - S x 7
Angleton Sub
Northbound - 15k
Southbound - 15k
Blmg to Corpus
Northbound - 12k
Southbound - 12k
Beaumont - Hous
MBTEW 12K-W x 7
MLIHO 12K-W x 7
MHOLI 15K - E x 7
Houston Complex
MEWSR(B) 12,000 - S x 14
MEWPT(B) 12,000 - S x 14
MSREW 11,000 - N x 7
MSRHO 11,000 - N x 7
MSRSP 11,000 - N x 7
LHO39(B),LHO49 12K-E x 19
Adams Sub
MALG3 15,000 - S x 7
Milwaukee Sub
MALG3 15,000 - S x 7
Kenosha
All Trains 15,000
Chicago
Chicago- STL/Salem
15,000' NB
9,000' SB
Joliet & Springfield
ILBG4 15,000 - N x 7
ZMQG4 15,000 - N x 7
ZG4MQ 17,000 - S x 7
IG4SIB 14,300 - S x 7
Pana & Villa Grove Subs
IYCMX 11,000 - S x 7
MPRNL 11,000 - S x 7
Salem - Gorham
8,100' NB
15,000' SB
Salem to Gorham
MNLTT 9,000 - N x 7
ILDYC 15,000 - N x 7
Hoxie
MASNL 15,000 - S x 7
Marion to Dupo
IMNDU 11,200 - N x 7
Hoxie / Memphis
MSFPB 9,800 -W x 7
MNVNL 9,000 -W x 7
MNLSF 9,800 - E x 7
MNLNV 9,000 - E x 7
ZLAMN 15,000 - E x 7
Marion to SAIT
IMNSA 15,000 - S x 7
White Bluff Sub
Northbound - 8,100
Southbound - 15,000
MLIAS 10,000 - N x 7
MLINL 10,000 - N x 7
MPBNL(B) 12,000 - N x 7
Reisor Sub
ZLAAI 10,000 - E x 7
MFWLI 15,000 - E x 7
MLIFW 10,000 -W x 7
MRENL 15,000 -W x 7
Mineola Sub
ILBMN 15,000 - E x 7
Livonia Sub
MTALI 10,000 - N x 7
MNOLI 10,000 - N x 7
MNOLIB 10,000 - N x 7
MLINSB 12,000 - S x 7
MLINSL 12,000 - S x 7
MLIGN 12,000 - S x 7
MLIWX 12,000 - S x 7
Seattle
Tacoma
Portland
Eugene
Klamath Falls
Eastport
Spokane
Hinkle
Nampa
Pocatello
Granger
Ogden
Salt Lake City
Elko
Portola
Sparks
ROSV
San Jose
Los Angeles
Yermo
West Colton
Tucson
El Paso
Sierra Blanca
Big Spring
Waco
Ft Worth
Cheyenne
Denver
NPLT
Topeka
KC
Hgtn
Wichita
Enid
NLR
St Louis
Chicago
Mkto
Mason City
Shreveport
Longview
Alexandria
Livonia
New Orleans
Houston
Angleton
San Antonio
Laredo
7,200'
7,300'
8,200'
9,500'
10,000'
7,800' NB
7,000' SB
8,000' NB
6,500' SB
8,000' NB
7,000' SB
5.700' EB
10,000' WB
9,400'
5,700' EB
9,400' WB
6,200'
5,900'
8,000'
17,000'
9,000'
8,700' SB Auto
16,000'
10,000' NB
12,000' SB
17K'
15,000' NB
15,000' WB
15,000'
8,000 EB
15,000 WB
8.800 WB
15,000 EB
8,800 WB
15,000 EB
14,000 EB
9,000' WB
14,000 EB
9,000' WB
8,000 WB
15,000 EB
8,200 EB
15K
15,000 WB
8,200 EB
15K
15,000 NB
9,800 SB
9,300 NB
7,000 SB
5,700' WB
8,500' EB
5,700' NB
8,000' SB
8,200'
8,000'
5,600'
12,500'
8,100'
8,500'
9,000'
8,000'
8,200'
8,000'
15,000 NB
8,500 SB
15,000 NB
7,700 SB
15,000 NB
8,000 SB
15,000 NB
8,300 SB
8,700 NB
15,000 SB
8,700 NB
15,000 SB
15,000 NB
8,000 SB
15K SB
8,300'
8,500'
8,000'
8,000'
8,000

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF MARK REDD

EXHIBIT 2

LAW OFFICE OF DAVID L. MEYER
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WASHINGTON, D.C. 20009
202-294-1399

310858

ENTERED
Office of Chief Counsel
February 10, 2026
Part of
Public Record

February 10, 2026

BY ELECTRONIC FILING

Chief of Case Administration
Office of Chief Counsel
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Re: Finance Docket No. 36500 (Sub-No. 6), *Canadian Pacific Ry. – Control – Kansas City Southern (General Oversight)*

Dear Chief of Case Administration:

I am writing on behalf of Canadian Pacific Kansas City Limited and its U.S. rail carrier subsidiaries (collectively "CPKC"),[1] in reply to the letter filed in this docket on February 6, 2026 on behalf of Union Pacific Railroad Company ("UP").[2]

UP's letter ignores the facts outlined in CPKC's November 13 Reply ("CPKC-48") and badly distorts the facts it presents. UP's letter is transparently designed to use Board processes to coerce a change in CPKC's operating rules governing train length on the Meridian Speedway to further UP's self-serving desire to send very long trains over infrastructure that was not built to accommodate them.

UP's new grievances about dwell at Shreveport reflect nothing more than UP's unhappiness with the fact that cannot bend MSLLC to its will. Having decided that it will continue to run very long trains all the way to Shreveport for its own operating convenience, UP is upset that it must take some time shortening those trains before they can move east across the Speedway. Respectfully, that is UP's problem, not a *CP/KCS* merger issue, and not an issue of "deteriorated service" over the Speedway. The Board should decline UP's request to intervene here.

---

[1] CPKC's U.S. rail carrier subsidiaries include Soo Line Railroad Company; Central Maine & Quebec Railway US Inc.; Dakota, Minnesota & Eastern Railroad Corporation; Delaware & Hudson Railway Company, Inc. (collectively "CP" or "CP/Soo"); The Kansas City Southern Railway Company; Gateway Eastern Railway Company; and The Texas Mexican Railway Company (collectively, "KCSR").

[2] On December 10, 2025, Norfolk Southern Railway Company ("NS") filed a letter effectively withdrawing its request for Board intervention, stating that "NS is optimistic that CPKC and NS will be able to reach a satisfactory resolution without the need for further Board action." Finance Docket No. 36500 (Sub-No. 6), Letter from Jason Morris, NS COO (filed Dec. 10, 2025) at 2.

1. As CPKC explained in CPKC-48, the issues UP complains of *do not implicate CPKC's merger commitments*. The "dwell" that UP alleges in its latest letter involves UP's intermodal train originating in Los Angeles, which UP hands off to CPKC for movement across the Speedway in NS haulage service to destinations on NS in the Southeastern U.S. This traffic was not affected, and could not have been affected, by the CP/KCS merger. Legacy-CP could not have played any role in that traffic, and thus Applicants' gateway commitments could not apply. *See* CPKC-48 at 5 (citing Decision No. 35 at 69).

The passage from Mr. Brooks' testimony in *CP/KCS* that UP's new letter quotes is not to the contrary. Mr. Brooks was simply describing what it meant to keep gateways open *when those commitments applied*, not expanding the scope of the traffic to which CP's commitment applied. *See CP/KCS*, Application Vol. I, Brooks V.S. at ¶ 45.

Accordingly, the Board should reject UP's requested relief as outside the scope of the CPKC's merger commitments.

2. CPKC also wishes the Board to understand that UP's contentions that CPKC service on the Meridian Speedway has "deteriorated" are wrong.

(a) *First*, UP's sole focus is on the "dwell" that UP says its eastbound trains experience in Shreveport because CPKC has "reimposed" an 8,500-foot length restriction for trains on the Meridian Speedway.[3] Although CPKC does not have access to the data UP is using for its dwell calculations, among the activities its statistics are capturing is the work UP is choosing to perform in Shreveport to comply with train-length rules on the Meridian Speedway. UP is making the choice to operate extra-length trains all the way to Shreveport for UP's own convenience rather than shortening them at some other location. However, UP is not free to dictate that trains exceeding generally applicable length limits must be permitted to continue past Shreveport onto the Speedway in order to save UP some time reducing their length. Dwell incurred by UP for this purpose is a UP choice that says nothing about the level of service CPKC is providing at Shreveport or on the Speedway.[4]

---

[3] UP's focus there is perhaps unsurprising given that CPKC has been moving NS's eastbound haulage trains across the Speedway in an average of only 10.2 hours, 2.8 hours faster than the 13-hour service standard under the MSLLC agreements.

[4] UP's dwell measures no doubt also reflect other work that must be performed at Shreveport, including time spent by CPKC's crews prepping these trains for departure, time traversing the boundaries used by UP to measure dwell, and many others. Were the Board to examine the details associated with time spent by UP's trains in Shreveport, it also would learn how often UP delivers trains that are not ready to depart because of such failures as open container doors (a serious safety hazard), non-functioning locomotives, or bad-order railcars and the delays occasioned by conflicting movements *of UP trains* on the trackage that connects UP's Hollywood Yard with the Speedway.

(b) *Second*, UP makes much of the longer dwell experienced by UP's "second train" (*i.e.*, the one created when UP's overlength train is reduced in length). This dwell similarly does not reflect any CPKC service deterioration. To the contrary, it is fully explained by the fact that *NS agreed with CPKC* that the second eastbound NS haulage train *would be scheduled to depart four hours and 40 minutes after the first*. UP's supposed "gotcha"—reflected in "dwell" of its second train that averaged 3.2 hours longer than that of the first train—in fact simply reflects the design UP's interchange partner implemented to handle an additional eastbound train on the Speedway.

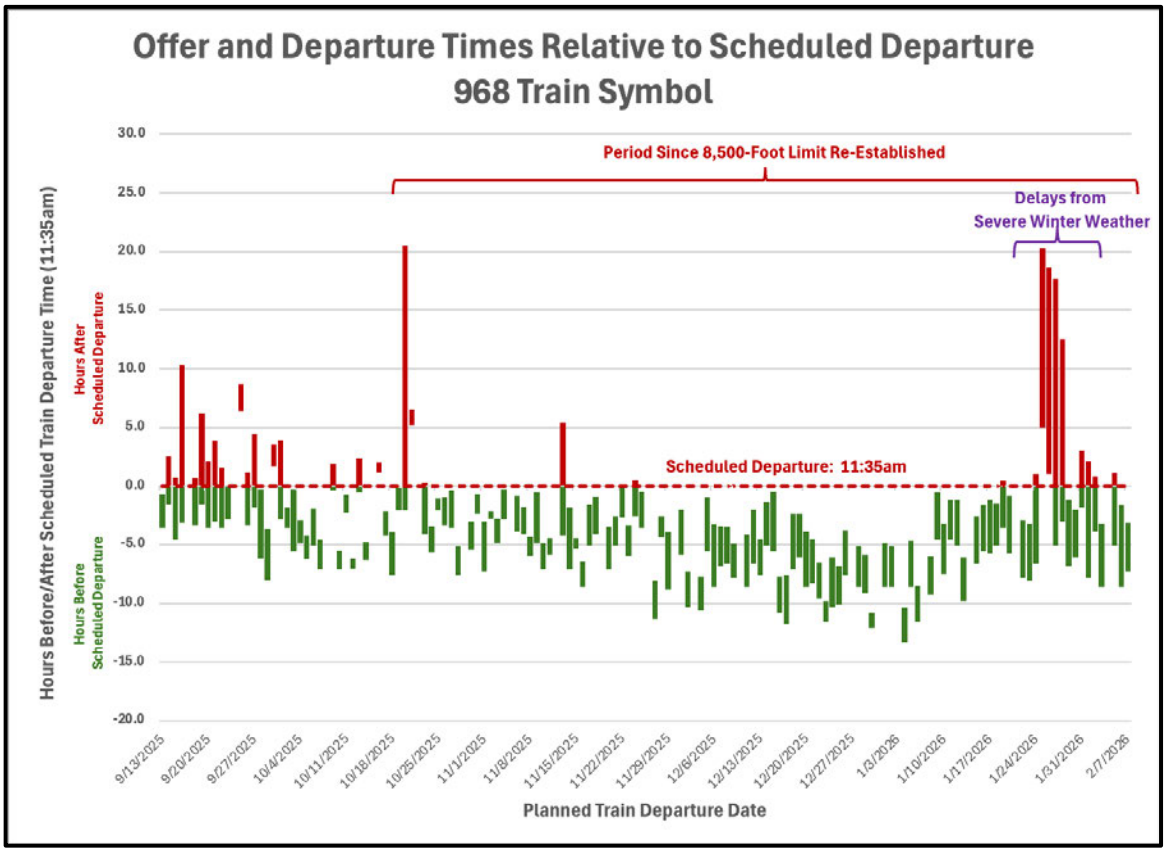
(c) *Third*, UP's histrionics mask a more fundamental truth: CPKC's performance has been of high quality. The two charts below depict, for both sets of eastbound NS haulage trains (the up-to-8,500-foot train and the additional train built from excess length portion of UP trains arriving in Shreveport), the amount of time elapsed between UP's predicted availability of the train (*i.e.*, its "Offer Time") and the train's actual departure. UP's Offer Time is the time communicated by UP to CPKC when UP predicts that it will make its outbound train ready for crewing by CPKC. The vertical bars show, for each train, the elapsed time between Offer Time and the train's actual departure relative to the train's scheduled departure time in accordance with the schedules agreed to between the owners of MSLLC—CPKC and NS.[5]

The first chart (Figure 1) provides this data for CPKC Train 968, which departs first with up to 8,500 feet of traffic delivered by UP's train ZLAAI. Two things are noteworthy. First, since CPKC's re-establishment of the 8,500-foot limit (*i.e.,* since late November 2025), the time between UP's Offer Time and train departure was *consistently brief* (as shown by the shortness of the vertical bars), with the exception of a period in late January when CPKC's crew availability was hampered by the devastating winter storm that brought major snowfall and icing conditions to much of the eastern United States, including the portions of Louisiana and Mississippi traversed by the Meridian Speedway. In other words, when UP makes trains available to CPKC for movement across the Speedway as NS haulage trains, CPKC handles them promptly and efficiently. CPKC accomplished this exceptional performance despite UP's Offer Times being highly variable and very often well in advance of (often by 5-10 hours) the time when the train was scheduled to depart.

[5] After a UP train is "offered" for a specific time, before a train can depart CPKC must call a train crew on duty and transport that crew from CPKC's yard in Shreveport to the location of the train in UP's Hollywood Yard, the train crew must perform work on the train, including initializing PTC, conducting safety checks, and obtaining routing permissions from two separate UP dispatchers (for its Reisor and Lufkin Subdivisions) in addition to obtaining clearance from CPKC's dispatcher, and CPKC must complete a roll-by inspection to ensure that the train is safely configured with no open container doors.

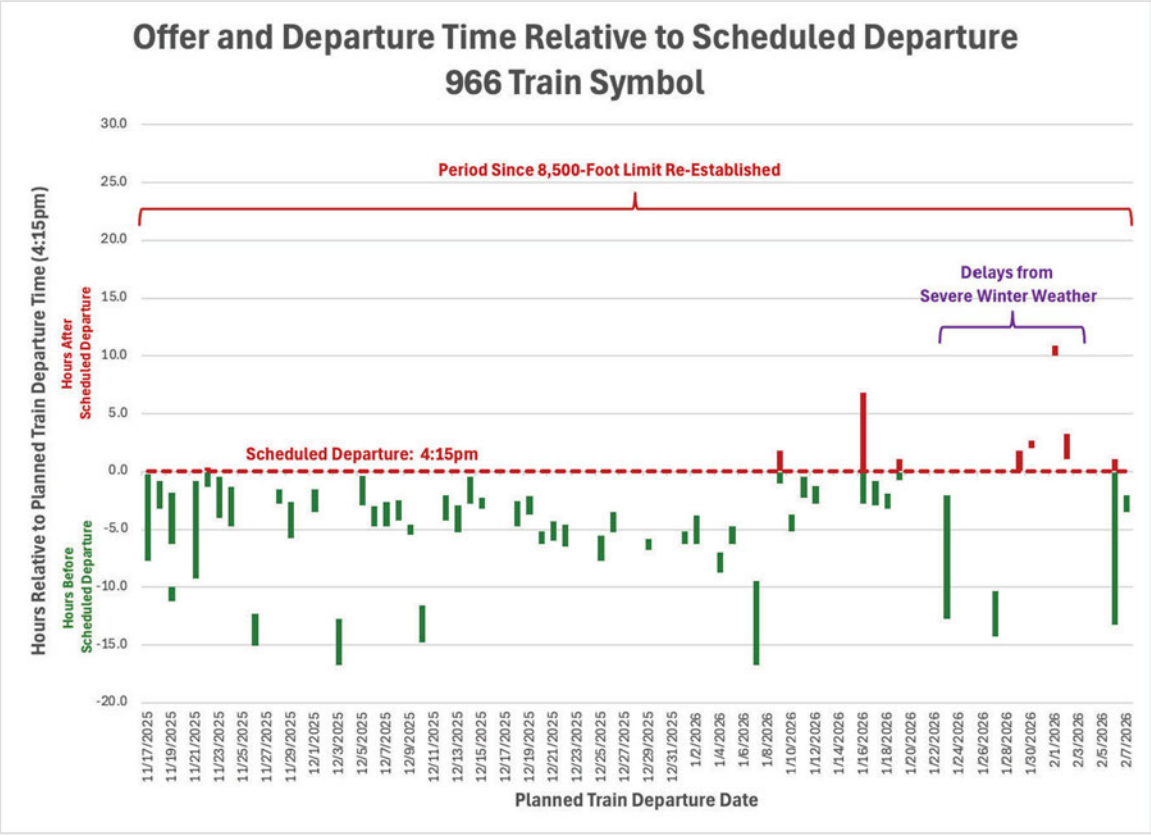
Second, CPKC almost always departed these trains *well ahead of schedule* (as shown by the top end of the bars being below the scheduled departure time), allowing UP's customers to benefit from more-rapid-than-planned transit times.

FIGURE 1
HANDLING OF CPKC TRAIN 968 AT SHREVEPORT



The second chart (Figure 2) provides this data for CPKC Train 966, which departs second—scheduled for four hours and 40 minutes later than the first (*i.e.*, at 4:15 pm rather than 11:35 am)—with the traffic in excess of 8,500 feet that did not fit on Train 968. As with Train 968, the time from Offer Time to departure was almost always brief and the train almost always departed well ahead of schedule.

FIGURE 2
HANDLING OF CPKC TRAIN 966 AT SHREVEPORT



* * *

As the discussion and data above demonstrate, UP's effort to manufacture a "condition compliance" issue arising from CPKC's enforcement of the 8,500-foot train length limit on the Meridian Speedway is meritless. That limit, and the scheduling of the additional train start to accommodate the railcars that do not fit on a single train, were established to reflect infrastructure limitations on the Speedway and assented to by NS, CPKC's co-owner of the Speedway. If UP is determined to have CPKC run UP's long trains past Shreveport, it should try to persuade NS to fund the investments in longer sidings and related MSLLC changes needed to support the operation of longer trains, perhaps even the 14,000 to 18,000 foot trains that UP CEO

Jim Vena describes as UP's standard "intermodal package."[6] Until that happens, the Board should not countenance UP's effort to substitute Board intervention for investments that the railroads moving the traffic—here, UP and NS—are unwilling to make. The Board should reject UP's call for an "investigation."

Please contact me with any questions.

Respectfully submitted,



David L. Meyer

Attorney for Canadian Pacific
Kansas City Limited

cc: All Parties of Record

[6] UP 4Q25 Earnings Call Transcript (Jan. 27, 2026) at 10 ("We don't run 10,000-foot trains. We run our intermodal package because we have built a system to be able to do that somewhere between 14,000 feet and 18,000 feet, and we do that every day, and we've been doing it for now the last few years.") (remarks of Jim Vena).

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF MARK REDD

EXHIBIT 3

304028

UP-10

ENTERED
Office of Proceedings
February 28, 2022
Part of
Public Record

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 36500

CANADIAN PACIFIC RAILWAY LIMITED; CANADIAN PACIFIC RAILWAY COMPANY; SOO LINE RAILROAD COMPANY; CENTRAL MAINE & QUEBEC RAILWAY US INC.; DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION; AND DELAWARE & HUDSON RAILWAY COMPANY, INC.
—CONTROL—
KANSAS CITY SOUTHERN; THE KANSAS CITY SOUTHERN RAILWAY COMPANY; GATEWAY EASTERN RAILWAY COMPANY; AND THE TEXAS MEXICAN RAILWAY COMPANY

UNION PACIFIC RAILROAD COMPANY'S COMMENTS AND REQUEST FOR CONDITIONS

CRAIG V. RICHARDSON
JAMES B. BOLES
TONYA W. CONLEY
WHITNEY LARKIN
Union Pacific Railroad Company
1400 Douglas Street
Omaha, Nebraska 68179
(402) 544-7004

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Attorneys for Union Pacific Railroad Company

February 28, 2022

sufficient capacity to accommodate current demand. However, Applicants' plan to add more than eight new trains per day would push use of the line above the line's fluid capacity.[202]

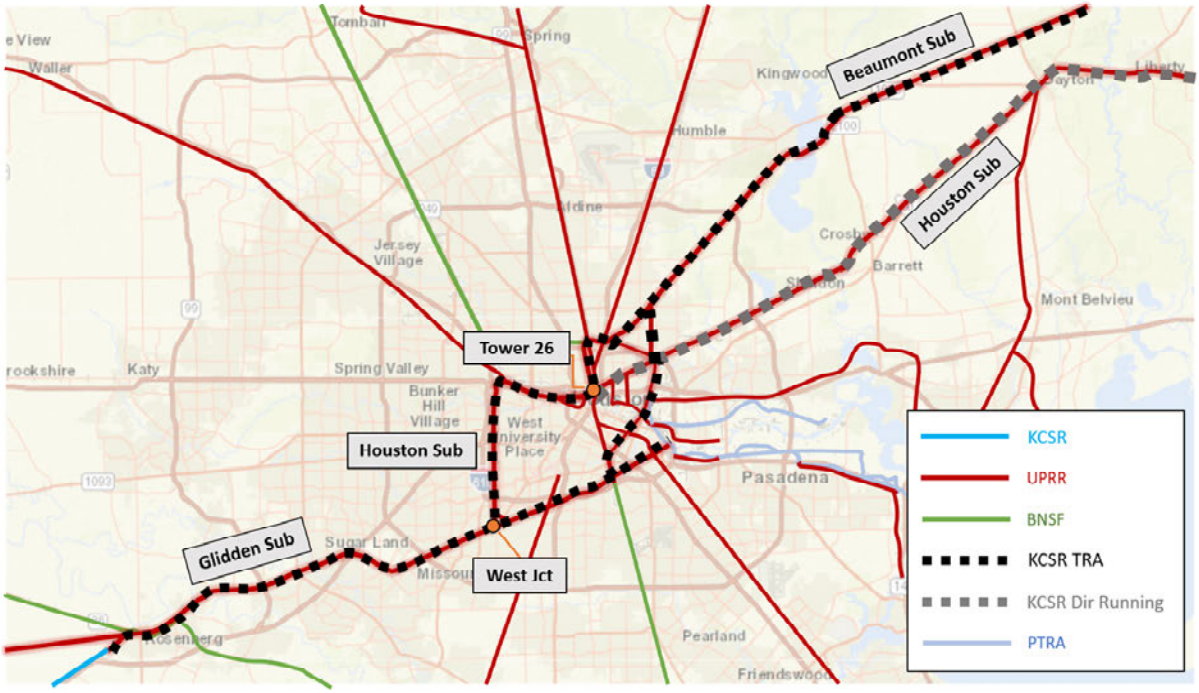
Houston terminal area. Applicants also fail to address the impact of their planned new traffic on operations in the Houston terminal. Houston is an extremely challenging area in the best of times, requiring careful operational coordination among UP, BNSF, KCS, Amtrak, and the Port Terminal Railroad Association (PTRA). UP has learned through hard experience how congestion in one part of Houston can rapidly spread throughout the terminal and ripple across its network.[203] As shown in the figure below, KCS has extensive trackage rights in Houston, allowing it to participate in the generally directional flow of traffic through the terminal and interchange traffic with the PTRA. KCS has trackage rights over UP's Houston Subdivision between West Junction and Tower 26, then over the West Belt, which provide KCS access to UP's Beaumont Subdivision. UP, BNSF, and KCS all use the Beaumont Subdivision for traffic moving eastbound towards Beaumont. Amtrak also uses the Beaumont Subdivision for its Sunset Limited train. KCS also has rights from the Beaumont Subdivision directly past UP's Settegast Yard on the East Belt, which connect to KCS's rights on the Glidden Subdivision. UP has also given KCS rights to move traffic westbound on UP's Houston Subdivision, which run past UP's Englewood Yard toward Tower 26.[204]

[202] *See id.*

[203] *See id.*

[204] *See id.* at 29–30.

Figure 2: Houston Area KCS Trackage Rights



Applicants plan to add more than eight trains per day to the mix of traffic in Houston, which could increase train counts on already busy lines by 25% or more.[205] However, Applicants provide no analysis of the impact their plans would have on terminal operations or the need for new capacity. As discussed above, { }

When Mr. Elphick was asked whether Applicants performed any formal evaluation of how increases in rail traffic from the proposed transaction would affect operations in Houston, he replied, { }[206] CP appears to believe there are no impediments to moving more trains through Houston. CP's Executive Vice-President Operations was recently quoted as saying, "you can get through Houston pretty quick."[207] However, as Mr. Turner explains,

[205] *See id.* at 30.

[206] Ex. 15 (Elphick/Orr Tr. 94:21–95:1).

[207] *See* Rocker/Turner VS at 30–31 & Rocker/Turner workpaper "P - Rail Group Interview.pdf."

additional capacity would be necessary at several locations in the terminal to prevent the projected jump in traffic from endangering operations in Houston.[208]

On the eastern end of the Houston terminal KCS has trackage rights on UP's Beaumont Subdivision and UP's Houston Subdivision between Houston and Beaumont. BNSF also uses those two lines to move its own traffic between Houston and New Orleans, and as noted above, Amtrak's Sunset Limited operates over the Beaumont Subdivision. These two lines are fluid at current traffic levels, but both would be at or above capacity if Applicants' traffic in the corridor grows by more than eight trains per day, as Applicants project in their Application.[209]

Applicants' complete failure to address the impacts of their planned traffic growth on the need for capacity investment on the Tex Mex trackage rights lines reflects a serious gap in their Application, especially given the essential role these rights play in their post-merger plans.

B. Applicants Failed to Fully Address Operations on Facilities They Own and Share With Others.

Applicants not only failed to evaluate the impacts of their planned traffic growth on lines CPKC would use but would not own, their analyses failed to account for the operations of other railroads with rights to use lines owned by Applicants. In some instances, {

} Three examples are discussed below.

Neches River Bridge. UP is particularly concerned about the proposed transaction's impact on the Neches River Bridge. KCS owns the bridge, which spans the Neches River at

[208] *See* Rocker/Turner VS at 31.

[209] *See id.*

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 36500

CANADIAN PACIFIC RAILWAY LIMITED; CANADIAN PACIFIC RAILWAY COMPANY; SOO LINE RAILROAD COMPANY; CENTRAL MAINE & QUEBEC RAILWAY US INC.; DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION; AND DELAWARE & HUDSON RAILWAY COMPANY, INC.
—CONTROL—
KANSAS CITY SOUTHERN; THE KANSAS CITY SOUTHERN RAILWAY COMPANY; GATEWAY EASTERN RAILWAY COMPANY; AND THE TEXAS MEXICAN RAILWAY COMPANY

VERIFIED STATEMENT

OF

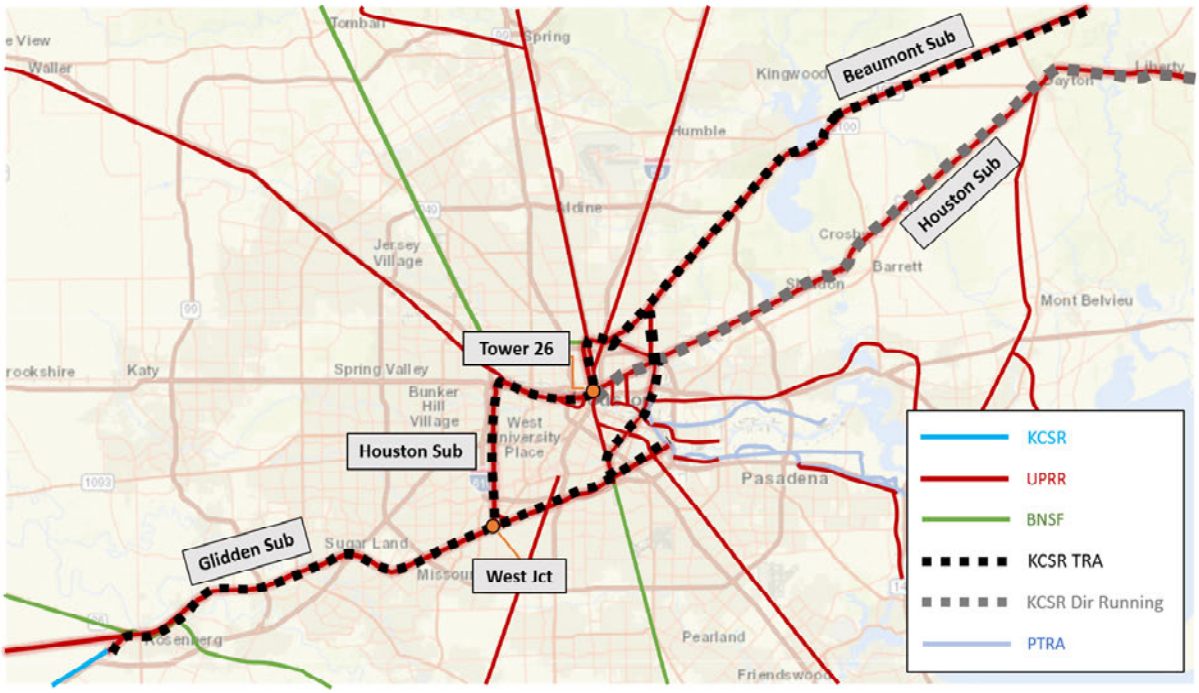
KENNY ROCKER

AND

JOHN TURNER

Beaumont. Amtrak uses the Beaumont Subdivision for its Sunset Limited train. KCS also has rights from the Beaumont Subdivision directly past UP's Settegast Yard on the East Belt, which connect to KCS's rights on the Glidden Subdivision. UP has also granted KCS rights to move traffic westbound on UP's Houston Subdivision, which runs past UP's Englewood Yard towards Tower 26. This provides UP's dispatchers options to move trains through Houston as efficiently as possible.

Figure 2: Houston-Area KCS Trackage Rights



Applicants plan to add more than eight trains per day to the mix, which could increase train counts on already crowded lines by 25% or more. But Applicants say nothing about how their additional trains will affect operations in Houston. They appear not to have even considered the problem. They make no commitment to invest in the capacity necessary to accommodate their expansion of service. They apparently plan simply to increase their operations and let others address the consequences. We noted that CP's Executive Vice-President Operations, Mark Redd,

was recently quoted as saying, "you can get through Houston pretty quick."[38] That is not true in our long experience with Houston, and his glib statement suggests CP does not fully appreciate the complexities of rail operations in the Houston terminal.

Additional capacity would be needed at several locations in Houston to prevent Applicants' planned jump in traffic from endangering operations in the terminal. UP has not begun to study how to most effectively mitigate the additional demands CPKC's plans would place on operations in Houston. We know from experience, however, that the terminal could not sustain the pressure of an additional eight trains per day—which would equal record volumes—on a constant basis, especially while also addressing normal surges and disruptions. Authorizing such a dramatic growth in train traffic in one of the most sensitive rail operating environments in the country without any plan or commitment to invest in new capacity would be irresponsible.

Applicants' additional trains will also impair service on the eastern end of the Houston terminal. On the eastern end, KCS has trackage rights on UP's Beaumont Subdivision and UP's Houston Subdivision between Houston and Beaumont. BNSF also uses those two lines to move its own traffic between Houston and New Orleans, and as noted above, Amtrak's Sunset Limited train operates over the Beaumont Subdivision. These two lines are fluid at current traffic levels, but both would be at or above their limit if Applicants' traffic in this corridor grows by more than eight trains per day, as is Applicants' plan.

* * *

Applicants' plan to double their train operations between Robstown and Beaumont in just three years would make addressing capacity issues even more challenging. We question whether it would be possible to complete the analysis, design, planning, permitting and construction

[38] *See* Rocker/Turner workpaper "P - Rail Group Interview.pdf."

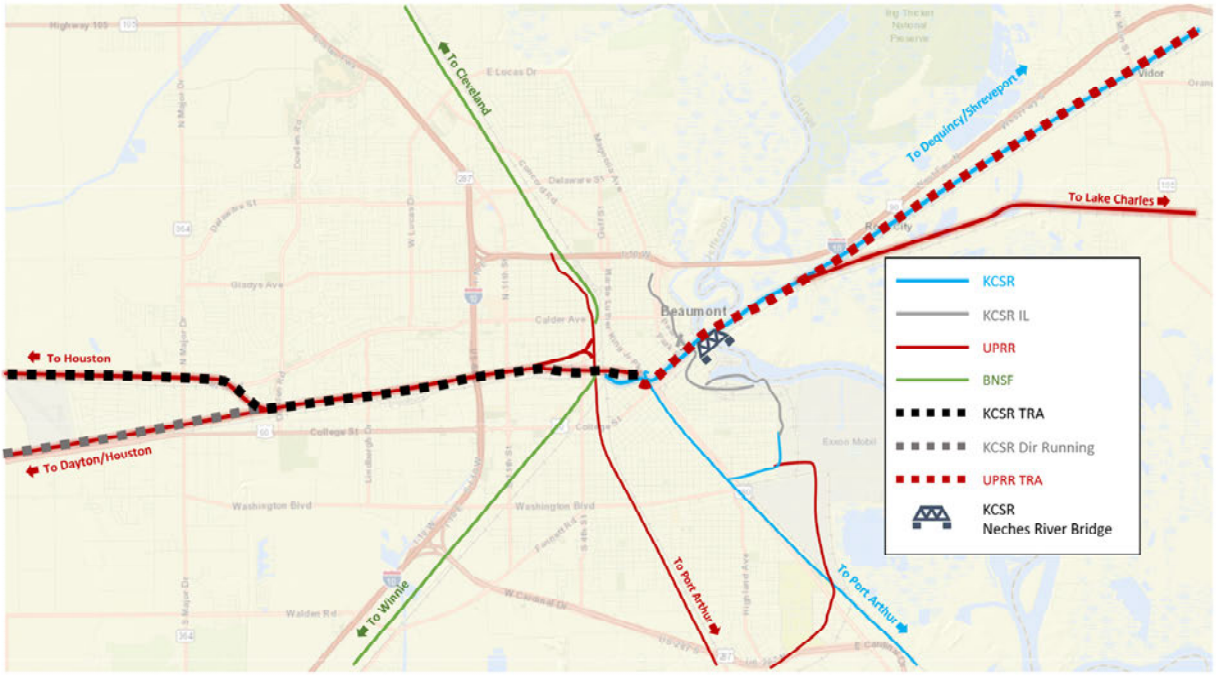
process in the timeframe set forth in the Application. As owner of the lines, our participation is critical. If the Board were to approve the proposed transaction, UP would be willing to work with Applicants to determine how to meet their need for new capacity, and we would be willing to construct new capacity and pay our fair share for any portion of the capacity we use in the future. However, UP should not be required to *subsidize* Applicants' implementation of their merger, either directly by financing the new capacity or indirectly through interference with our own service if Applicants increase their traffic before the new capacity is operational.

B. Applicants Failed to Evaluate the Impacts of Their Planned Operations Where Other Railroads Share Applicants' Lines.

Applicants' disregard for the impacts of their planned operations on others appears to extend to locations where other railroads operate on lines owned by one of the Applicants. UP is concerned by Applicants' lack of plans to add capacity in many locations, and we are particularly concerned about three locations: the Neches River bridge, the paired tracks north of Kansas City between Airline Junction and Polo, and the Twin Cities area. We discuss these three examples below.

Neches River Bridge. KCS owns the Neches River bridge. The bridge spans the Neches River at Beaumont. As shown in the figure below, UP's Beaumont and Houston Subdivisions converge at the western end of the bridge. KCS's Beaumont Subdivision and UP's Lafayette Subdivision (known as the "50/50 Line," because BNSF jointly owns the line) converge at the eastern end of the bridge. The bridge is a single-track choke point.

Figure 3: Neches River Bridge Area



UP believes the Neches River bridge is near or at the limits of its fluid capacity. UP and BNSF operate approximately 25 trains per day over the bridge. Amtrak's Sunset Limited train also uses the bridge, which limits freight operations. The bridge opens several times each day to allow river traffic to pass underneath, further reducing the time available for rail operations. Bridge capacity is also limited by the nature of railroad activity adjacent to the bridge. To the east, UP and KCS move unit trains to the Jefferson Energy Terminal. KCS trains entering and exiting the terminal block the eastern approach to the bridge. To the west, trains operate at reduced speeds over a series of converging and diverging tracks.

Applicants plan to increase traffic on KCS's Beaumont Subdivision from 8.9 trains per day to 20.3 trains per day, and increase of 11.4 trains per day, or 128%.[39] However, Applicants did not identify any need for additional bridge capacity. We believe adding more than eleven

[39] *See* APP Vol. 2 at 364, OP Plan, App. A at 1.

trains per day to the bridge would put the bridge above any reasonable measure of fluid capacity.

In addition, as noted above, the bridge is not available 24-hours a day because it opens for river traffic. We also pause freight rail traffic to accommodate Amtrak trains. Applicants may be reluctant to acknowledge the issue. Adding capacity to the Neches River bridge might be a costly, time-consuming undertaking. But even if Applicants were willing to accept poor service due to an over-capacity bridge, they should not be allowed to impose and shift those costs on UP, BNSF, and Amtrak as the price of their transaction.

Kansas City and the Polo Line. UP has similar concerns with Applicants' failure to provide for capacity investment on the Polo Line. CP and UP access Kansas City from the north using paired tracks over approximately 42 miles between Airline Junction in Kansas City and a location on CP's Kansas City Subdivision called Polo. UP operates approximately eight trains per day on the Polo Line. Applicants plan to increase traffic on CP's Kansas City Subdivision from 2.9 trains per day to 16.9 trains per day, an increase of 14 trains per day, or nearly 500%.[40] However, Applicants did not identify any plan to add capacity on the Polo Line.

CP controls dispatching of the Polo Line. Recently, UP has been forced to invoke the parties' contractual dispute resolution procedure to address persistent dispatching issues. UP is concerned that the problems it experiences when CP operates only three trains per day over the

[40] *See* APP Vol. 2 at 364, OP Plan, App. A at 1.

line would multiply if CPKC operated nearly 17 trains per day over the line. Most lines serving the Kansas City terminal are dispatched by the Kansas City Terminal Railway from a joint dispatching center. The Polo Line is dispatched by a CP employee from a drawbridge near Airline Junction. Although the Polo Line consists of two tracks, the tracks are not operated like double-track lines. Over a long portion of the joint facility, the two tracks are far apart, so trains cannot cross from one line to the other to maximize efficient use of both lines. Each line is generally operated in one direction only. In addition, although the line has a version of Centralized Traffic Control, the system does not allow for full CTC operations, which prevents true centralized dispatching and prevents UP and CP from maximizing capacity on one of the paired tracks when the other is out of service. In light of Applicants' plan to increase traffic by more than 14 trains per day on the Kansas City Subdivision, UP expected some provision for improving the Polo Line. This appears to be another situation in which Applicants have not accounted for shared facilities in planning the proposed transaction.

Twin Cities. Applicants' apparent failure to account for the impacts of their proposed transactions on other railroads' operations extends to their plan for operations in the Twin Cities. Applicants tout their plan to route traffic around Chicago. However, Applicants' plan to route traffic around Chicago will increase the number of trains moving through St. Paul on CP's River Subdivision from 11.9 trains per day to 18.1 trains per day, an increase of 6.2 trains per day, or 52%.[41] But Applicants do not propose adding capacity in St. Paul.[42]

St. Paul can become extremely congested under current conditions. As shown in the figure below, CP's River Subdivision converges with BNSF's St. Paul Subdivision near CP's

[41] *See* APP Vol. 2 at 364, OP Plan, App. A at 1.

[42] *See* APP Vol. 2 at 337, OP Plan ¶ 231, Fig. 11.

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF MARK REDD

EXHIBIT 4

BEFORE THE
SURFACE TRANSPORTATION BOARD

CANADIAN PACIFIC KANSAS CITY LIMITED AND THE KANSAS CITY SOUTHERN RAILWAY COMPANY, D/B/A CPKC – ACQUISITION AND OPERATION – CERTAIN RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C., IN LAUDERDALE COUNTY, MISSISSIPPI AND CHOCTAW AND MARENGO COUNTIES, ALABAMA, FD 36732; CSX TRANSPORTATION, INC. – ACQUISITION AND OPERATION – RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C., FD 36727

COMMENTS AND REQUESTS FOR CONDITIONS

Appendix B

Verified Statement of Michael R. McClellan

BEFORE THE
SURFACE TRANSPORTATION BOARD

CANADIAN PACIFIC KANSAS CITY LIMITED AND THE KANSAS CITY SOUTHERN RAILWAY COMPANY, D/B/A CPKC – ACQUISITION AND OPERATION – CERTAIN RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C., IN LAUDERDALE COUNTY, MISSISSIPPI AND CHOCTAW AND MARENGO COUNTIES, ALABAMA, FD 36732; CSX TRANSPORTATION, INC. – ACQUISITION AND OPERATION – RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C., FD 36727

COMMENTS OF NORFOLK SOUTHERN RAILWAY COMPANY

APPENDIX B

VERIFIED STATEMENT OF MICHAEL R. MCCLELLAN

BEFORE THE
SURFACE TRANSPORTATION BOARD

CANADIAN PACIFIC KANSAS CITY LIMITED AND THE KANSAS CITY SOUTHERN RAILWAY COMPANY, D/B/A CPKC – ACQUISITION AND OPERATION – CERTAIN RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C., IN LAUDERDALE COUNTY, MISSISSIPPI AND CHOCTAW AND MARENGO COUNTIES, ALABAMA, FD 36732; CSX TRANSPORTATION, INC. – ACQUISITION AND OPERATION – RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C., FD 36727

COMMENTS OF NORFOLK SOUTHERN RAILWAY COMPANY

APPNEDIX B

VERIFIED STATEMENT OF MICHAEL R. MCCLELLAN

My name is Michael R. McClellan. I am Senior Vice President and Chief Strategy Officer at Norfolk Southern Corporation and Vice President of Norfolk Southern Railway Company (collectively "Norfolk Southern"). I have been with Norfolk Southern since 1998, and in my current position since April 2021. I am a career railroader and have a diverse transportation background that spans three decades in railroad management, technology, logistics consulting, and sales and marketing. As such, I am intimately familiar with the existing conditions and operations through Meridian, MS. I am aware that Canadian Pacific Kansas City Limited and The Kansas City Southern Railway Company, d/b/a CPKC ("CPKC") has filed an application for approval to purchase the Meridian & Bigbee Railroad, L.L.C. ("MNBR") between Meridian and Myrtlewood, Alabama (the "Western Line"). I am also aware that CSX Transportation, Inc. ("CSXT") has filed an application for approval to reacquire the MNBR rail assets between Myrtlewood and Burkeville, Ala. (the "Eastern Line").

I know that the public version of the application provided by CPKC (the "CPKC Application") to the Surface Transportation Board (the "Board") had descriptions of rail assets and operations in what was characterized as "Meridian, MS", but that document appeared to me to focus mostly, if not entirely on descriptions of rail assets and operations currently owned by MNBR and to be acquired by CPKC. I also read the public version of the CPKC's Supplemental Information, which only lightly addressed the rail operations moving through the Meridian rail hub. Similarly, I read the public version of the application put forth by CSXT (the "CSXT Application") for CSXT to reacquire the Eastern Line, and the public version of the CSXT's Supplemental Information.

My Verified Statement will focus on the impact of CPKC's proposed transaction on the Meridian, MS Terminal (the "Meridian Terminal"). Specifically, I will: (1) provide comment as to how rail infrastructure improvements at Meridian, MS can help mitigate the exacerbation of delays and congestion likely to accompany the introduction of new and diverted traffic resulting from the CPKC transaction; and (2) identify five specific infrastructure projects and accompanying operational proposals that Norfolk Southern has developed that will mitigate the congestion-related harm caused by this Transaction.[1]

I. Rail Infrastructure Improvements Needed at Meridian, MS.

In my role at Norfolk Southern, I have a unique perspective as to the importance of the Meridian Terminal in Meridian, Mississippi, which is a singularly complex Gateway city that hosts five railroad operations, including Norfolk Southern, CPKC, Amtrak, Meridian and Bigbee, and Meridian Southern. The two primary rail operators, Norfolk Southern and CPKC, come together at a location called the "Switch Tender" which is capacity-constrained with antiquated

[1] In addition to the Board ensuring that the competitiveness of the Meridian gateway is preserved, the Board must protect the competitiveness of operations at Selma for the reasons explained herein.

infrastructure. Figure 1 provides an overview of the Meridian area, including the location of the Switch Tender. Figure 2 shows a close up of the Switch Tender.

Figure 1
Overview of the Meridian Terminal.

Not to scale. Not all lines shown.

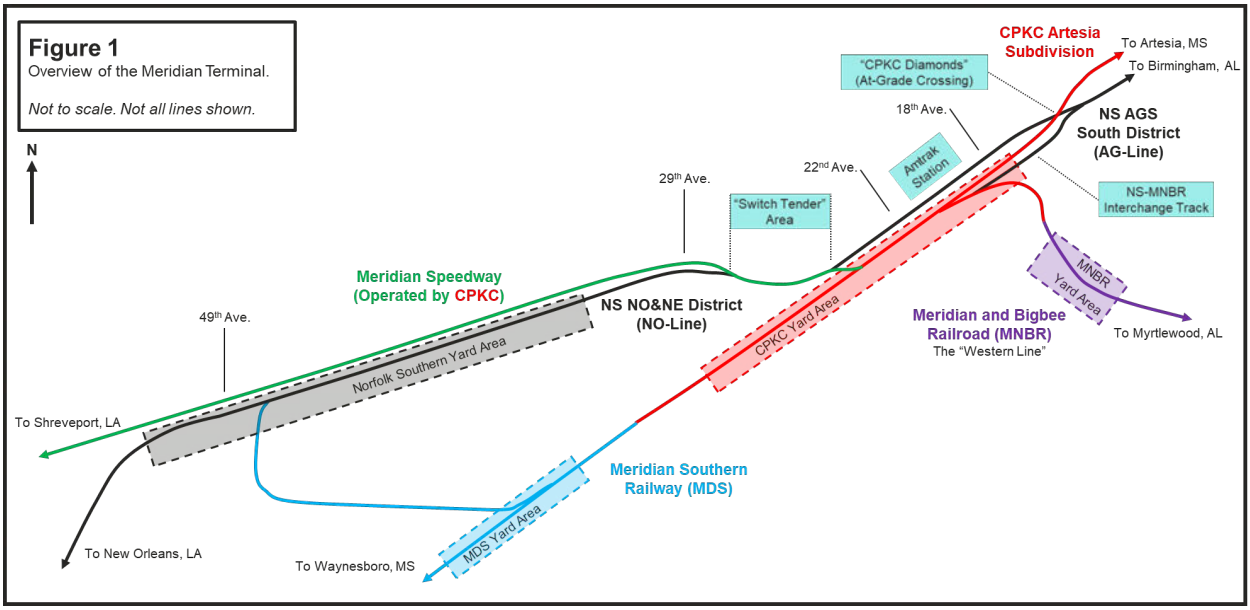
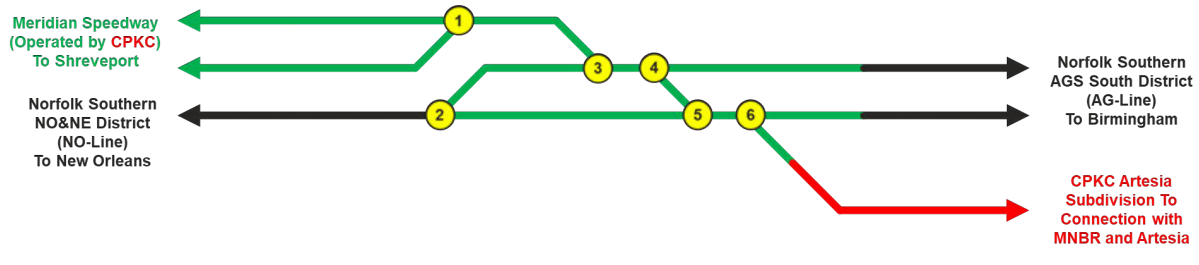


Figure 2
Detailed track schematic of the Switch Tender area. Switches are marked with yellow numbered dots. All switches shown are hand-thrown and under the control of CPKC.

The table at right details the switches that a train on each route encounters when transiting the Switch Tender.

Not to scale. Not all lines shown.

Route	Switch Progression
Amtrak Crescent	2 ↔ 3 ↔ 4
Norfolk Southern NO-Line ↔ AG-Line	2 ↔ 3 ↔ 4 or 2 ↔ 5 ↔ 6
Norfolk Southern Meridian Speedway ↔ AG-Line	1 ↔ 3 ↔ 4 or 1 ↔ 3 ↔ 4 ↔ 5 ↔ 6
CPKC Meridian Speedway ↔ MNBR	1 ↔ 3 ↔ 4 ↔ 5 ↔ 6
CPKC Meridian Speedway ↔ Artesia Subdivision	1 ↔ 3 ↔ 4 ↔ 5 ↔ 6



I have read the Verified Statement of Andrew Koch.[2] Based upon my experience, I find his description of the operations and challenges at the Meridian Terminal to be accurate. Both Figure 1 and Figure 2 above are based on figures from his verified statement.

Further, I have read the Verified Statement of William Rennicke and Jason Kuehn, both from Oliver Wyman. [3] Based on my experience and knowledge of this location, I find their description of infrastructure, operations and solutions around the Meridian Terminal to be accurate as well.

Messrs. Rennicke and Kuehn note in their Verified Statement that "[i]n the case of the Meridian Terminal, both Amtrak and Norfolk Southern trains already experience significant delays. . . . adding additional trains, without making any capacity improvements, will only increase the delays for all trains dependent on the [Meridian] Terminal."[4] Messrs. Rennicke and Kuehn go on to note that while the CPKC filing confirms the addition of at least one new CPKC train pair to operate through the Meridian Terminal, CPKC leaves the door wide open to introduce additional train pairs without any acknowledgement of the additional harm that would be imposed on Norfolk Southern and Amtrak from the first, second, third, etc. new train pair introduced by CPKC.

This is the crux of my concern about this transaction: CPKC is going to introduce new trains through a constrained interlocking at Meridian, and as such worsen service performance for Norfolk Southern and Amtrak (which runs on Norfolk Southern).[5] CPKC is less likely to be

[2] Appendix A - Verified Statement of Andrew Koch ("Koch V.S.").

[3] Appendix C - Verified Statement of William J. Rennicke & Jason Kuehn ("Rennicke/Kuehn V.S.").

[4] See Rennicke/Kuehn V.S. at 32.

[5] I understand that CPKC states that it anticipates only one additional daily train pair (that is, two new trains) to operate through the Meridian Terminal within the first five years of the closing of the transaction, and that this train pair is the basis for many of the statements that CPKC makes claiming no

adversely impacted as they control movement through the Switch Tender. In the end, the ones that would be most adversely impacted are Norfolk Southern's freight customers and Amtrak's passengers.

The Meridian Speedway ("MSLLC") has been one of the most innovative, successful and competitive rail ventures introduced and approved by the STB this century. Since its inception, Norfolk Southern and KCS have removed hundreds of thousands of trucks from the highway in the extremely competitive Texas to Southeast truck market. Speed, cost and reliability are critical to competing with trucks in this lane, and anything done to degrade this service reduces Norfolk Southern' competitive position and our ability to compete against trucks. It is plainly obvious from my experience, and confirmed by Mr. Koch and Messrs. Rennicke and Kuehn in their respective verified statements, that the proposed CPKC transaction will have a significant adverse impact on the ability to feed traffic onto and off of the Meridian Speedway through the Meridian Terminal.

Amtrak will be affected as well, as Mr. Koch and Messrs. Rennicke and Kuehn have thoroughly demonstrated. Amtrak Crescent trains 19 and 20 lose more time at the Meridian station than any other place by far on their route between Alexandria, VA, and New Orleans, LA, on Norfolk Southern. Ironically, when delays are incurred at Meridian by Amtrak, it solely impacts Norfolk Southern's on-time report card, even when those delays are caused by actions

real adverse impact arising from the proposed transaction. But in my experience, transactions like the one proposed have longer runways before the anticipated diversions and efficiencies arise. I am aware that there are a number of plans for infrastructure improvements along the Western Line. Economically rational rail companies do not enter into such transactions requiring the significant investment anticipated here with the plan that those significant investments will necessarily produce a return within the initial five years. As a result, I pay attention not only to the claim that CPKC intends to introduce one daily train pair within the first five years, but also to the statement made in the CPKC supplemental submission that discusses a second train pair as early as year eight. CPKC Supplemental Information ("CPKC-7"), filed November 21, 2023, at 8.

taken, or not taken, by CPKC in moving freight through the Switch Tender. Given Messrs. Rennicke's and Kuehn's assessment of the capacity situation in Meridian, it is reasonable to expect even further delays on Amtrak Crescent 19 and 20 if this transaction is approved without condition.

In its supplemental information filing, CPKC states that, "[i]f in the future, Norfolk Southern and CPKC volumes are expected to exceed capacity, Norfolk Southern and CPKC can invest in additional infrastructure under the terms of their agreements. Moreover, the MSLLC agreement governs service and addresses infrastructure needs."[6] That is true: Railroads can agree to make investments in infrastructure together. However, Norfolk Southern is hesitant to accept that this is the solution in this instance, for three important reasons. First, and as explained in the Rennicke/Kuehn verified statement,[7] some of the infrastructure projects Norfolk Southern believes are necessary to address the added congestion from the CPKC transaction are not to be constructed on MSLLC property. Second, even for those to be constructed on MSLLC property, the cost of construction would be borne in whole or in part by Norfolk Southern (directly or through its interest in the MSLLC), even though the reason for the construction are the trains that CPKC is bringing to the line due to CPKC's transaction.[8] Finally, Norfolk Southern is hesitant to accept this as an acceptable solution based on a lengthy history of unsuccessful negotiations between Norfolk Southern and KCS – and now CPKC – in which the parties have talked about

[6] See CPKC-7, at 13 (presumably referring to the limited liability company agreement governing the Meridian Speedway LLC ("MSLLC") which is majority owned by CPKC and in which Norfolk Southern has a minority interest).

[7] See Rennicke/Kuehn V.S. at 58, 60, and 61.

[8] The MSLLC agreement is complicated with regard to what member of the company has to finance what proposed pieces of infrastructure, and CPKC is the majority owner of that company, but even if the cost of a particular piece of infrastructure lands on the MSLLC company itself, that affects the value of the Norfolk Southern membership interest in the company.

improvements on numerous occasions, without ever having been able to come to final terms. These conversations about investment in additional infrastructure cannot wait until "Norfolk Southern and CPKC volumes are expected to exceed capacity."

Given the complexity and density of the current rail operations at the Meridian Terminal, I remain unconvinced by CPKC's conclusory statements, that "existing capacity between Shreveport and Meridian can easily accommodate this modest additional train service with no material impact on the fluidity of rail operations"[9] and further that, "Meridian can easily accommodate more cross traffic without negatively impacting fluid operations on NS's line."[10] The failure of CPKC to provide any in-depth analysis to back up these statements underscores my skepticism. As a career railroader, it is clear to me that if CPKC acquires the Western Line with the intention of growing CPKC traffic, without making infrastructure improvements at the Meridian Terminal, Norfolk Southern and the shippers and passengers relying on Norfolk Southern and Amtrak rail service will bear the brunt of the congestion that is soon to follow.

Norfolk Southern has repeatedly expressed during this proceeding its concern that the CPKC Transaction and the CSXT Transaction combined may have "broader impacts beyond local shippers on the line segments themselves." I lead Norfolk Southern's strategic network development, and, as such, I join in this concern based on my first-hand knowledge that the Meridian Terminal is a crucial north-south connection for Norfolk Southern. Congestion and delays at this interchange already have an impact on Norfolk Southern's other rail operations that will be exacerbated by the anticipated CPKC traffic growth at the Meridian Terminal as a result of this Transaction.

[9] See CPKC-7, at 8.

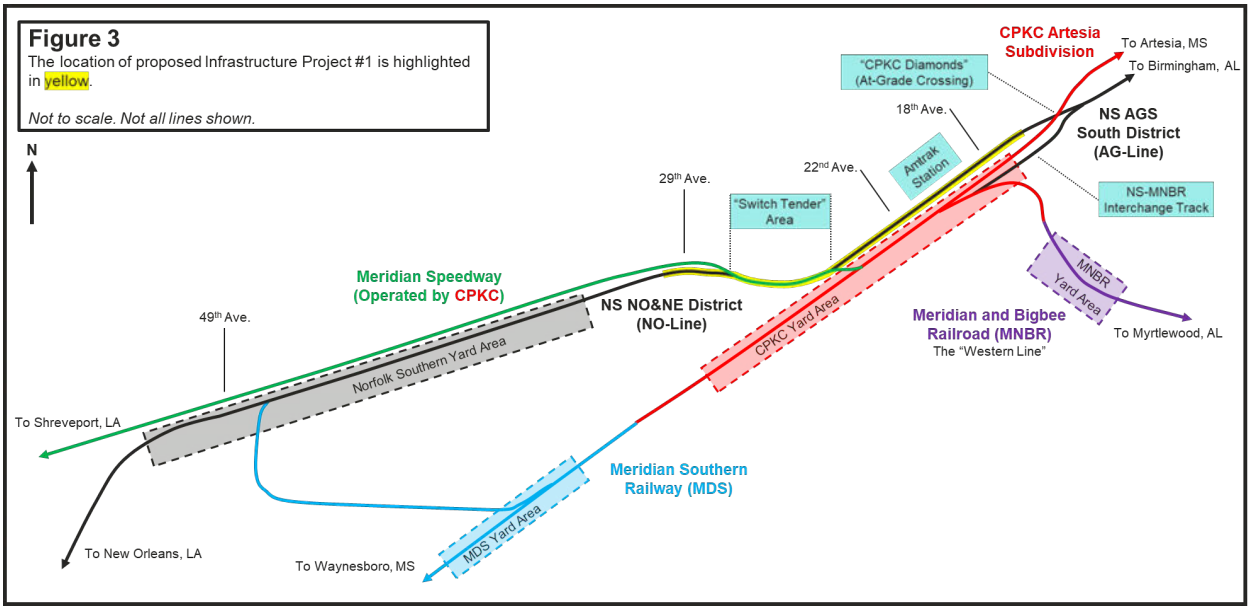
[10] Id. at 10.

Fortunately, Norfolk Southern believes that it has introduced a package of infrastructure improvements and operating practices that can mitigate – but not entirely eliminate – the most adverse impacts of the introduction of these new CPKC trains. Of the five (5) infrastructure projects that CPKC and Norfolk Southern can implement, three can be implemented within the first five years of the transaction, for the purpose of ameliorating the negative impacts to Meridian expected from the CPKC Transaction. Norfolk Southern believes so strongly that these improvements are necessary, that it is willing to cost-share in the improvements, which will mitigate against the anticipated effects of the CPKC transaction, while preserving competition amongst all carriers.[11] Each of these projects has been tailored to address the adverse operational impacts Norfolk Southern believes will arise as a result of the CPKC Transaction.

Infrastructure Project #1: Construction of Additional Main Line

The first project involves a rail infrastructure project that would reconfigure the terminal area. It involves Norfolk Southern being permitted to construct an approximately 5,500 foot additional main line from the north end of its yard (M.P. NO 0.9) to just south of the CPKC/Norfolk Southern diamond (M.P. AG 294.9). This would include a diamond or cross-over through the Switch Tender area. This infrastructure project may involve some construction on CPKC property and/or reasonable modification of CPKC track or signaling. Figure 3 shows in yellow where this additional main line would be installed.

[11] Norfolk Southern would be willing to finance the cost of construction and maintenance of the first project, and would own the resulting infrastructure. The cost-sharing of the remainder of the projects remains to be determined but should predominantly be borne by CPKC as a cost of projects necessary in order to mitigate harm arising directly from its proposed transaction. The cost of the second and third projects (powering of switches and installation of a connection) are minor. Further, the cost of grade crossing closures are often subsidized by public funds in line with the value received by the general public. Norfolk Southern would agree to Board-sponsored mediation to reach a cost-sharing agreement.



This project would allow two trains to make simultaneous moves through the Switch Tender. With the current track layout of the Switch Tender, Norfolk Southern can only send one train at a time between its AG-Line and its NO-Line. This additional mainline would allow for two Norfolk Southern trains to make this move simultaneously. It would be long enough to hold trains without blocking grade crossings and trains of 6,600 feet or less, could sit south of the Switch Tender without blocking grade crossings. Furthermore, existing track configurations at the Switch Tender and on the Meridian Speedway immediately to the west limit the ability to meet trains moving between the Meridian Speedway and the Norfolk Southern AG-Line. Constructing this additional main line would provide additional flexibility for executing these train meets, as well as adding flexibility for Amtrak flows.

Infrastructure Project #2: Power Switches

The second infrastructure project to mitigate the adverse effects of the increased CPKC transaction traffic growth is to power up the switches at the Switch Tender. The Switch Tender is owned by MSLLC and operated and dispatched by CPKC, so these powered switches would be

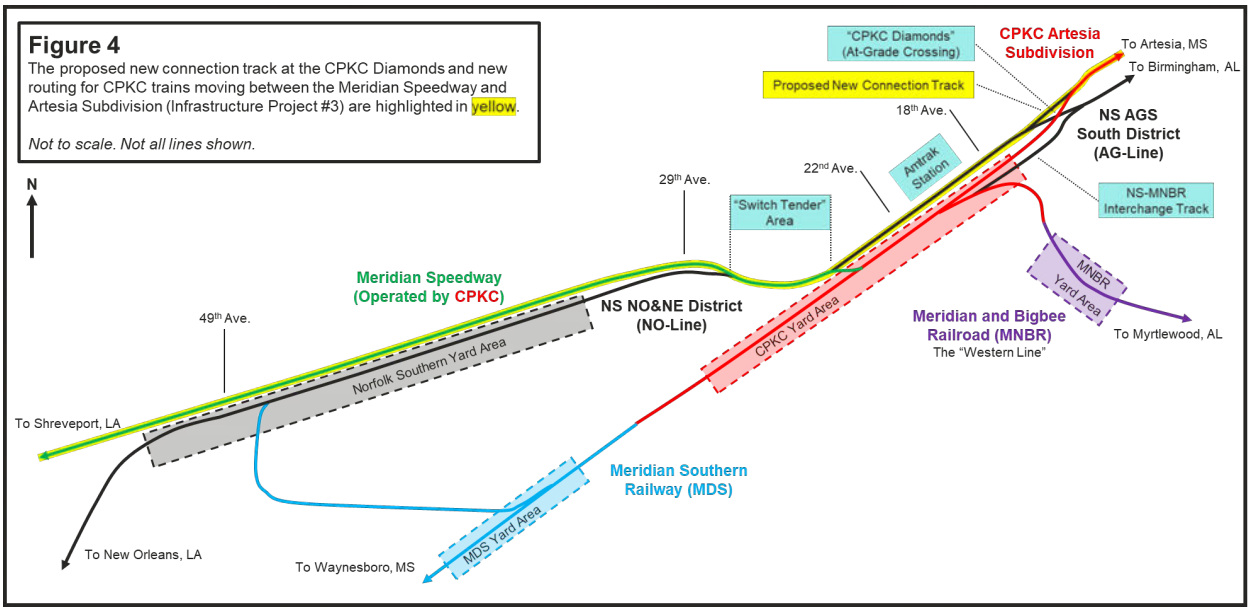
tied into the CPKC yard master or dispatcher's office. The powering of these switches would allow the CPKC dispatcher to align the switches in the Switch Tender properly as traffic approaches, eliminating the need for that traffic to stop and hand-throw switches. Trains could coordinate their arrival time at the Meridian Terminal with the dispatcher or yard master. As a result, trains on all five lines radiating from the Meridian Terminal would encounter faster running times through the Switch Tender, and thus a significant downstream negative effect arising from the proposed Transaction on Norfolk Southern and its shippers would be addressed.

Infrastructure Project #3: Connection between Norfolk Southern and CPKC Line to Artesia

The third infrastructure project that must be constructed to mitigate the adverse effect of the increased traffic resulting from the CPKC transaction also involves an operational change. The CPKC traffic that moves between the Meridian Speedway and the CPKC route to Artesia today must cross the Norfolk Southern route twice – once over the Switch Tender and again over the CPKC Diamonds. However, a simple powered connection between the Norfolk Southern tracks and the CPKC line to Artesia, when combined with CPKC trackage rights over the Norfolk Southern between KCS Interlocking and the Switch Tender, would allow some CPKC trains to avoid a significant amount of time currently spent maneuvering through the Meridian area. The CPKC trains that do not require any work at the CPKC Meridian Yard could simply "bypass" the most significant Meridian bottleneck points by using the operating rights and the proposed CPKC-NS connection.

The CPKC trains would use the Norfolk Southern track closest to the passenger station, leaving the new Norfolk Southern mainline, described as Infrastructure Project #1 above, and the existing Norfolk Southern mainline open for other train movements. This new routing is much

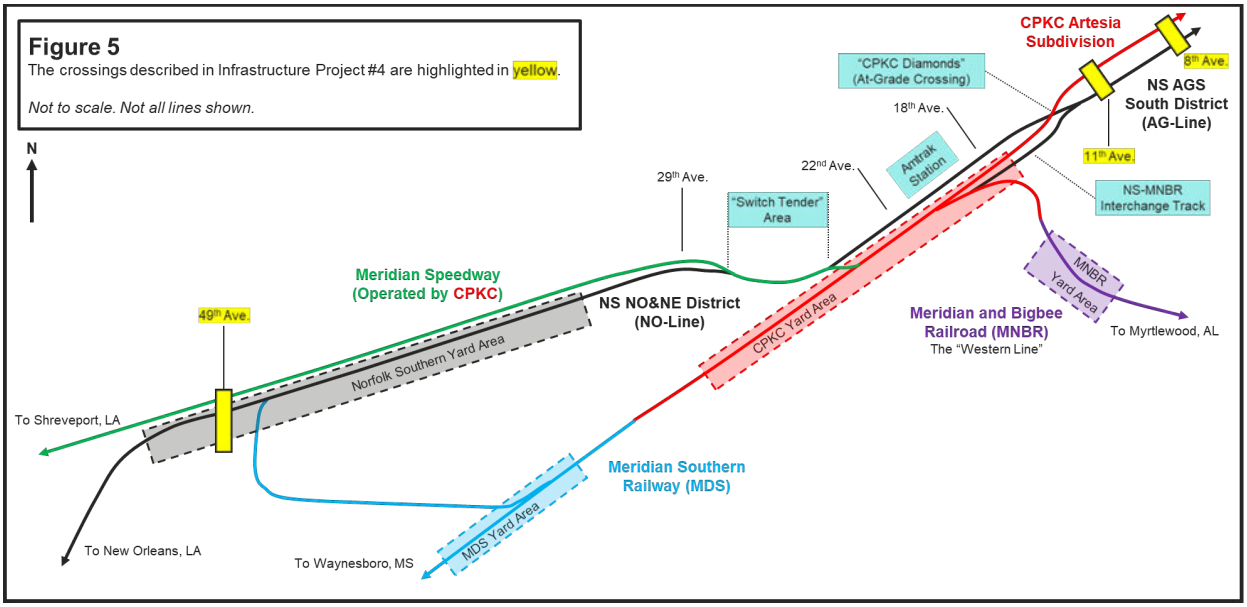
simpler and avoids causing multiple conflicts with Norfolk Southern trains both at the CPKC Diamonds and the Switch Tender. Figure 4 below shows the location of the Infrastructure Project #3: the Connection between Norfolk Southern and CPKC Artesia Subdivision.



I realize that CPKC has not forecasted an increase in the number of these specific trains as a result of the proposed CPKC transaction. Nevertheless, by removing them from the heart of the Meridian Terminal and thus their interactions with other cross traffic, this infrastructure project and operating directive would free up a significant amount of capacity to handle the additional east-west traffic (and attendant congestion) that will result from the proposed CPKC transaction. Norfolk Southern is willing to provide trackage rights to CPKC for these trains on industry-standard terms and conditions to free up capacity in the Meridian Terminal, thereby minimizing the adverse impacts to Norfolk Southern and Amtrak resulting from the proposed CPKC transaction.

Infrastructure Project #4: Crossing Closures or Grade Separations at 8th, 11th, and 49th Avenues

As described by Mr. Koch and Messrs. Rennicke and Kuehn, the current grade crossings at 8th, 11th, and 49th Avenues in Meridian are choke points that prevent any of the Norfolk Southern double track from being used as a meet-pass location at the Meridian Terminal. Figure 5 shows the locations of these crossings in yellow. The increase in traffic as a result of the CPKC Transaction will exacerbate the restrictions these crossings impose on the gateway infrastructure fluidity. While any grade crossing project will necessarily require the cooperation of City, State, and Federal authorities, as a member of the executive team at Norfolk Southern, I can ensure Norfolk Southern's full cooperation to implement this project, which is critical not only for Norfolk Southern traffic, but for the public as well.



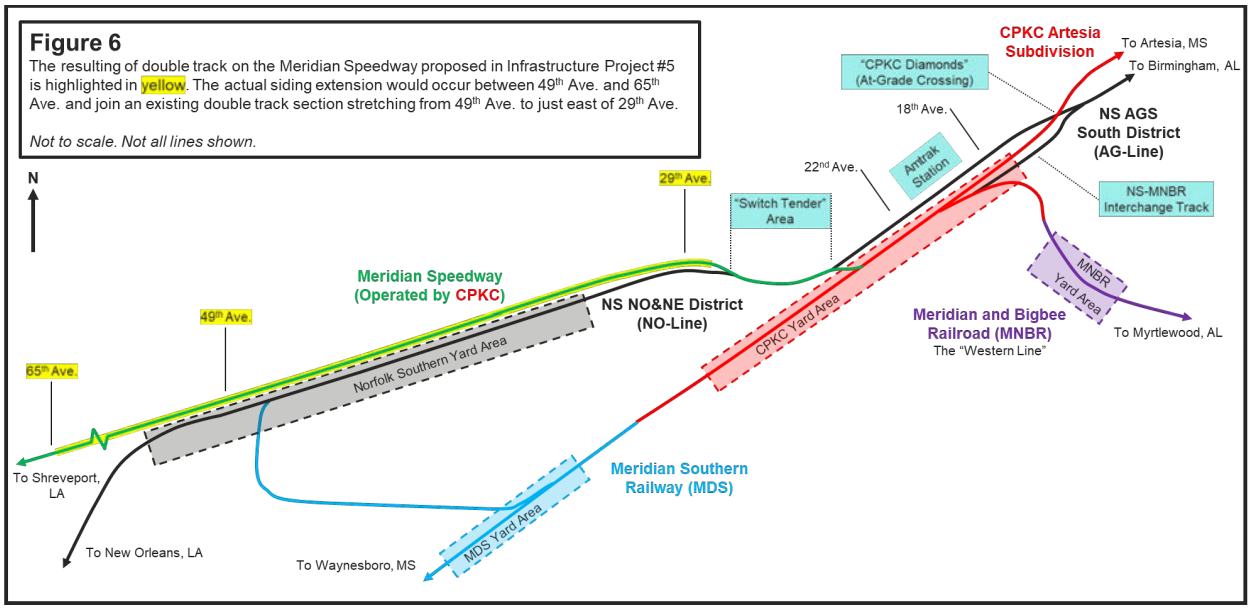
Closing these grade crossings would facilitate train meets at Meridian. For example, even the closure of both 8th and 11th Avenues alone would provide about 7,200 feet of track to hold a train on Norfolk Southern between the CPKC Diamonds and Hawkins Crossing Road. When this is combined with the connection anticipated at the CPKC Diamonds, offering an alternative route for CPKC for trains operating between the Meridian Speedway and the Artesia Subdivision,

Norfolk Southern would be able to stage trains of approximately 10,000 feet. These trains would block the diamonds, but would not impact CPKC trains.

The initiative to close or grade-separate 49th Avenue would help both NS and CPKC with capacity in Meridian. Addressing 49th Avenue will create approximately 10,500 feet of double main track for NS train meets between Arundel Road and the Switch Tender, and would add a great deal of operational flexibility for NS in Meridian. Additionally, the 49th Avenue grade crossing is important because 49th Avenue also is a constraint on the CPKC-controlled MSLLC AV tracks. Eliminating that constraint through a grade crossing project will enable the expansion of those tracks, as I discuss below.

Infrastructure Project #5: Siding Extension between 49th Street and 65th Avenue

The fifth infrastructure project is dependent on the elimination of the at-grade crossing at 49th Avenue. Once project four is complete, then MSLLC would be able to extend the siding/second track (AV02) on the Meridian Speedway from just east of 49th Avenue to just east of 65th Avenue. Exhibit VI-3: New Holding Points for Trains After Completion of the Projects, reproduced below, shows the extended double-track area that would be created on AV01 and AV02. The AV tracks are too short to hold long trains. Extending this siding would allow for trains of 12,000 feet to hold or to meet and pass on the Meridian Speedway at the western entrance to the Meridian Terminal, rather than in the heart of the Meridian Terminal, and thus remove some train meets from the Switch Tender area. This would enhance capacity, fluidity, and operational flexibility for the broader terminal area. Figure 6 below depicts Infrastructure Project #5: Siding Extension between 49th Street and 65th Avenue.



Other Operating Practice Modification

As described, Norfolk Southern has proposed that, once the connection is constructed at the CPKC Diamonds, and the switches are powered up at the Switch Tender, CPKC should be directed to route its trains running between the Meridian Speedway and the Artesia Subdivision that do not require a work event in Meridian over Norfolk Southern trackage utilizing trackage rights to be granted by Norfolk Southern. Obviously, this can only be effective once the associated infrastructure improvements have been completed.

Norfolk Southern also has proposed that the Board should condition its approval of the proposed transactions on directing CPKC to adopt an operating practice that ensures that any train that originates or terminates east of Meridian should not be allowed to foul the Switch Tender when changing crews or picking-up or setting-off traffic in the Meridian Terminal. That operating practice can go into effect immediately. Given the small amount of traffic that CPKC claims it will be moving on this route, this should not be unduly burdensome, and the practice will add significantly to the Meridian Terminal's fluidity. Extending the AV Track as described in Project #5 above, though, would go a long way to facilitating that effort. A "Master Plan"

would have to be developed by CPKC and Norfolk Southern to implement these five infrastructure projects and the Master Plan would be divided into phases. Norfolk Southern is committed to working with CPKC to come to an agreement for all phases of the road map for the Meridian Terminal.[12] Yet, this also requires a commitment from CPKC to help execute and fund these improvements, which should be a condition to the Board's approval**.**

Preserving Competition in Selma

CSXT's commitment to keeping Selma as an open gateway must be clarified. CSXT states that it "commits to maintain[ing] the existing gateway at Selma with Norfolk Southern Railway Company ("NSR") open on commercially reasonable terms."[13] All Class Is, particularly CSXT, [14] understand that true open gateways not only deal with the quoting of rates, but also the need to keep the gateway open operationally. CSXT specifically promised that it was "not going to do anything either physically or financially that is going to take away a competitive option that exists today."[15] Service reliability is of the utmost importance to shippers, as such, CSXT must be ordered not to do anything either physically or financially to take away the competitive option that exists today at Selma, and as such must provide to all potential shippers[16] the same level of frequency and reliable service shippers, whether in existence today or in the future, and regardless of their physical locations, have available to them today. The Board must ensure that Selma remains an open gateway.

[12] Projects 1, 2 and 3 could be initiated by either party within 5 years of an agreement on a Master Plan while Projects 4 and 5 are longer term in nature.

[13] CSXT Application, at APP-230, citing the Verified Statement of Arthur Adams, Jr., at APP-222.

[14] CSX Corporation and CSX Transportation, Inc., et al. – Control and Merger – Pan Am Systems, Inc., et al., FD 36472 (STB served April 14, 2022) (admitting that price was not the only consideration in preserving competition).

[15] Id at 16.

[16] One NSR customer physically located on the Eastern Line that is currently using the Selma interchange.

II. Conclusion

Based on my experience, and the attestations made in the Verified Statements of Mr. Koch and Messrs. Rennicke and Kuehn, I have significant concerns related to the impacts of the CPKC Transaction and the CSXT Transaction on Norfolk Southern's rail operations moving through the Meridian Terminal. The additional traffic anticipated by CPKC as a result of this Transaction will exacerbate the capacity, fluidity and service issues Norfolk Southern and Amtrak are facing at Meridian, MS. I believe that a transaction that improves CPKC's competitive position at the expense of Norfolk Southern's, Amtrak's and our customer's competitive position is antithetical to competition. Fortunately, Norfolk Southern has offered a series of projects that help CPKC to pursue its transaction while harm to Norfolk Southern, our customers, Amtrak and its passengers is mitigated. Further, Norfolk Southern is willing to share in the cost of these mitigating improvements. The result will be one where CPKC's competitive position is improved, Norfolk Southern's operating position is at least preserved, and Amtrak's passengers can be served better.

Similarly, for the reasons explained herein, the Board must clarify CSXT's commitment to keep Selma as an open gateway. Without a condition requiring CSXT to keep the gateway open operationally, in addition to preserving price protections, shippers through Selma would be deprived of a competitive rail option.

I respectfully urge that if approved, any Board approval of the CPKC Transaction be conditioned on the implementation of these five infrastructure projects and the operational directives described above, as well as expanding the gateway protections for shippers through Selma.

CERTIFICATION

I, Michael R. McClellan, Senior Vice President and Chief Strategy Officer for Norfolk Southern Corporation, and Vice President for Norfolk Southern Railway Company, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed this 28th day of December 2023.



Michael R. McClellan

PUBLIC REDACTED VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

UNION PACIFIC CORPORATION AND
UNION PACIFIC RAILROAD COMPANY

— CONTROL —

NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY

VERIFIED STATEMENT OF ADOLPH GAMEIRO

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EXHIBIT 2: LETTER FROM DEREK HINDS TO STEVE SIMMONS (AUG. 28, 2026)

EXHIBIT 3: EMAIL FROM RAYMOND ELPHICK TO RICK LICHTAS (OCT. 24, 2023)

EXHIBIT 4: EMAIL FROM STEVE SIMMONS TO JEFFREY SONGER (NOV. 6, 2020)

EXHIBIT 5: LETTER FROM MIKE FORAN TO CARL GARRISON (AUG. 21, 2025)

EXHIBIT 6: LETTER FROM MELISSA GROSZ TO WILL WANGERIN (FEB. 5, 2024)

EXHIBIT 7: LETTER FROM WILL WANGERIN TO MELISSA GROSZ (FEB. 2, 2026)

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EXHIBIT 9: EMAILS BETWEEN JOEL HOBERMAN, STEVE SIMMONS, MELISSA GROSZ, AND OTHERS (OCT. 28, 2025 - NOV. 6, 2026)

EXHIBIT 10: LETTER FROM STEVE SIMMONS TO MELISSA GROSZ (JUNE 22, 2026)

EXHIBIT 11: LETTER FROM DAVID HUGHES TO STEVE SIMMONS (MAR. 27, 2026)

EXHIBIT 12: LETTER FROM DAVID HUGHES TO STEVE SIMMONS (MAY 22, 2026)

EXHIBIT 13: LETTER FROM TOM BOURGONJE TO RUSSELL ROHLFS (SEP. 4, 2026)

EXHIBIT 14: LETTER FROM RUSSELL ROHLFS TO TOM BOURGONJE (SEP. 21, 2026)

EXHIBIT 15: LETTER FROM STEVE SIMMONS TO DEREK HINDS (OCT. 28, 2026)

EXHIBIT 16: LETTER FROM HANNA CHOUEST TO MARK REDD AND CASSANDRA QUACH (FEB. 24, 2025)

VERIFIED STATEMENT OF ADOLPH GAMEIRO

1. I am Adolph Gameiro. I am the Managing Director of Interline and Network Strategy at CPKC. I have held that role since April 2021. Prior to this role, I served as Director of Interline Agreements since 2011. I am responsible for the ongoing management and administration of CPKC's trackage rights and other joint facility agreements with other railroads and commuter rail agencies in the United States and Canada.

2. The purpose of this Verified Statement is to emphasize the following points:

- First, UP and NS already control assets on which CPKC critically depends to be able to reach and serve customers;
- Second, both railroads—and UP, in particular—have a track record of neglecting their contractual and regulatory obligations in a manner that interferes with CPKC's use of shared lines and impedes CPKC's ability to compete effectively, which heightens the risk that a combined UP-NS will expand these practices to more of the U.S. rail network that CPKC and other railroads rely on to compete effectively against UP-NS;
- Third, the transaction would also enable UP to exercise undue influence over key jointly-owned terminal railroads in the Midwestern gateways of Chicago, Kansas City, and St. Louis, thereby harming competition and rail customers; and
- Fourth, in the event the Board chooses to approve the proposed UP-NS merger, I discuss several specific proposed conditions needed to safeguard CPKC's existing rights to compete using UP and NS trackage and to prevent UP-NS from exploiting limitations on CPKC's rights in a manner

that strengthens UP-NS's own market position at the expense of competition and rail customers.

I. WITNESS BACKGROUND

3. My current responsibilities and prior experience give me familiarity with the CPKC contractual rights, operations, terminal-company relationships, and proposed competitive conditions addressed in this statement.

4. I, or people who report to me, regularly interact with UP and/or NS counterparts on the contractual, operational, and joint-facility matters that are discussed in this Verified Statement. These discussions generally involve keeping in touch with the other contracting party about day-to-day implementation of the contract—facility maintenance, billing and the like. I also coordinate with the CPKC Operations department to understand any problems that are occurring where we operate on another carrier's track, or where they operate on ours. My team tries to keep lines of communication open with the other party to each contract to resolve issues as early as possible to keep matters from having to escalate to senior management for resolution.

5. In some circumstances, however, matters do escalate, sometimes even to arbitration under the terms of an agreement. Currently we have two arbitrations in process with UP and one with NS, each dealing with a major aspect of particular contracts discussed later in this statement. We also have a lawsuit in federal court where NS has appealed a district court decision in CPKC's favor against NS's attempt to terminate a longstanding agreement on short notice. In connection with an arbitration or a lawsuit, I gather background information and coordinate with our counsel to make sure that they have a complete understanding of the facts relevant to our position.

6. CPKC does not have any pending arbitrations or lawsuits about joint facility matters with carriers other than UP and NS.

II. CPKC'S ABILITY TO COMPETE EFFECTIVELY WITH POST-MERGER UP DEPENDS HEAVILY ON EXISTING ACCESS TO UP/NS RAIL INFRASTRUCTURE AND THE CONTRACTS GOVERNING THAT ACCESS

7. CPKC's ability to serve its customers and compete against a post-merger UP-NS depends heavily on CPKC's continuing ability to effectively use UP and NS assets. CPKC's access over UP lines between Beaumont and Robstown, TX connects CPKC's Midwest and Southeast U.S. operations to Mexico, while CPKC's access over NS's Chicago-Detroit route is essential to connect CPKC's Midwest operations to CPKC's eastern Canada operations. CPKC's ability to compete with a merged UP-NS would depend heavily on CPKC's use of the merged entity's track in these areas.

8. As shown in Figure 1 below, a post-merger UP would control critical portions of CPKC's U.S. network. CPKC's U.S. operations depend on approximately 350 miles of trackage rights on UP and HBT between Robstown and Beaumont;[1] 41.28 miles of trackage rights on UP north of Kansas City; 260.8 miles of trackage rights on NS between Chicago and Detroit; and 10.24 miles of trackage rights on UP north of Chicago. At all of these strategic lines and points, UP will control dispatching, operating rules, and investment in new capacity.

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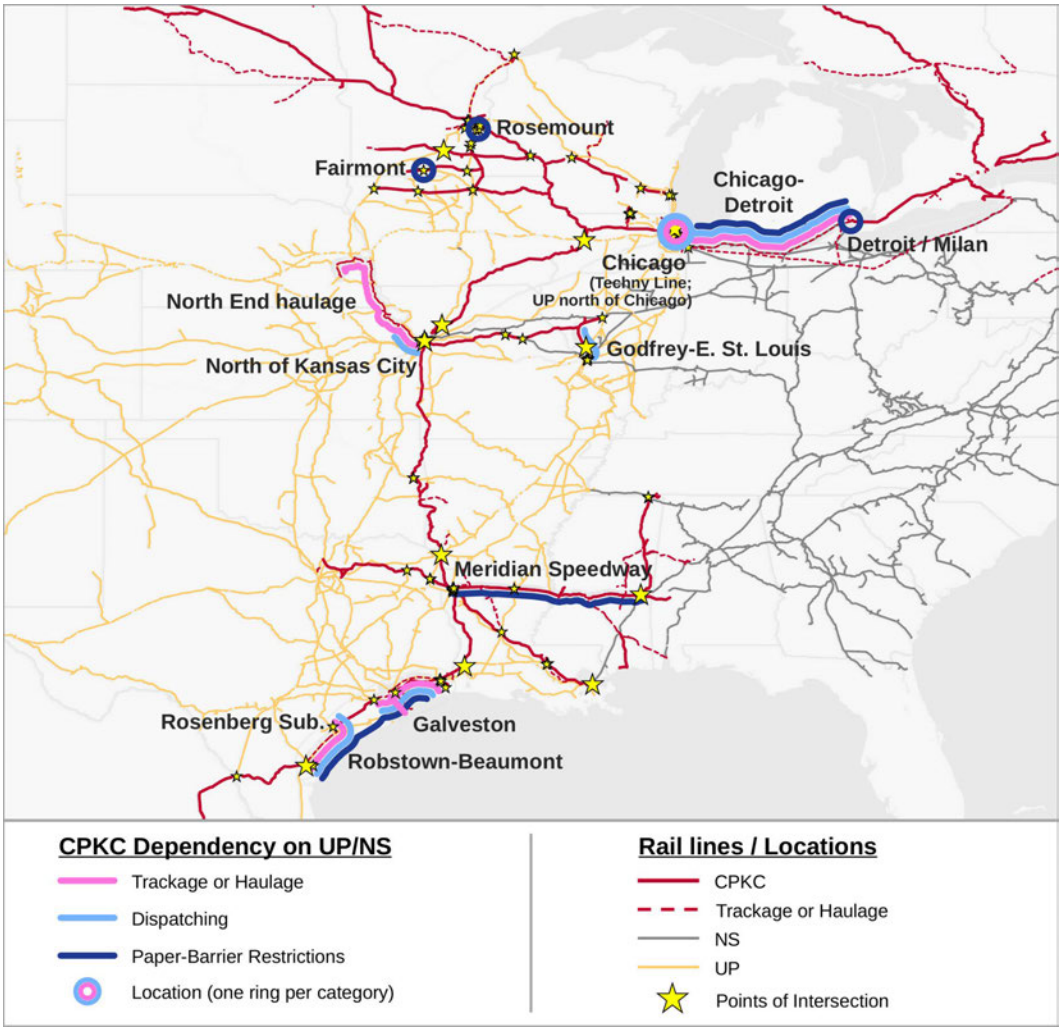
[1] Because of the so-called "clear route" condition imposed by the STB as a result of the UP/SP 1997-1998 service crisis and UP's alternation between use of the Cuero Subdivision and the Victoria Industrial Lead for movement of CPKC trains, the exact length of UP track used by CPKC trains varies from time-to-time.

FIGURE 1
DEPENDENCY OF CPKC COMPETITION ON ACCESS TO UP AND NS LINES AND FACILITIES



9. In addition to trackage rights, CPKC has numerous other dependencies on UP and NS that are critical to CPKC's continued competitive capacity (which are also shown in Figure 1):

- Dependency on UP for haulage rights over a network of UP track known as the "North End," which connects Omaha/Council Bluffs, NE/IA; Lincoln, NE; and Atchison and Topeka, KS to CPKC at Kansas City. CPKC utilizes this haulage for moving grain and other agricultural

products, as well as for non-agricultural commodities such as chemicals, steel, and flour;[2]

- Dependency on UP for "South End" haulage rights to handle from Beaumont to Houston or Galveston grain traffic originating at points north and east of Kansas City and received by CPKC at Kansas City for delivery to Houston or Galveston;[3]
- Dependency on UP dispatching of the Techny Line connecting CPKC's Bensenville Yard and the Bryn Mawr Cutoff with Tower A20 on CPKC's principal route between Chicago and the Twin Cities; and
- Dependency on UP dispatching of the joint UP-CPKC line and paired tracks between Godfrey and East St. Louis, IL.

10. Further, there are over 80 locations along the CPKC network where our trackage and operations come in contact with UP or NS trackage and operations, such as crossing diamonds, interlockers, jointly-owned or jointly-used track, and the like. At virtually all of these points, a merged UP-NS has the potential to interfere with CPKC's operations. A recent incident

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[2] The North End haulage agreement arises from a competition-preserving condition imposed by the ICC on the UP/MKT merger in the 1980s. *See Union Pacific – Control – Missouri-Kansas-Texas R.R.* ("*UP/MKT*"), Finance Docket No. 30800, (Sub-No. 22) (STB served July 7, 2025), at 2 (discussing this history). The agreement provides CPKC with the option to convert from haulage to trackage rights to be less dependent on UP. *See* Term Sheet for UP/KCS Haulage/Joint Rate Agreement with Trackage Rights Option (December 2, 1989), § XV. However, such a conversion is not feasible because the cost to run whole trains to serve small volume customers such as chemicals and steel is prohibitive. Converting to trackage rights would leave CPKC only with unit train business while non-agriculture product customers that we serve would lose out on the competition CPKC currently provides. Thus, CPKC remains dependent on UP haulage on UP North End to serve UP North End customers.

[3] The South End haulage rights derive from the same competition-preserving agreement as the North End haulage rights discussed above. *See UP/MKT*, Finance Docket No. 30800, (Sub-No. 22) (STB served July 7, 2025), at 2.

in Clinton, IA and UP's refusal to adhere to interchange agreements at Westlake/West Lake Charles, LA, both discussed below, are indicative of the types of interference that UP, intentionally or sloppily, regularly foists upon CPKC.

11. Additionally, a number of paper barrier restrictions constrain CPKC's ability to compete with UP. Particularly when layered on top of CPKC's physical dependence on UP and NS infrastructure, these restrictions show the many ways in which UP-NS would inhibit CPKC's competitive reach. For example:

- Subject to the exception for traffic originating or terminating at shipper facilities on the Rosenberg Line Sale Portion, traffic handled through CPKC's existing rights on UP track between Beaumont and Robstown must have a prior or subsequent haul over CPKC's lines between Laredo and Corpus Christi. This limits CPKC's ability to compete for traffic in Houston and other Gulf Coast locations.[4]
- Contractual restrictions imposed by UP limit CPKC's use of the joint trackage for specified traffic to, from, or via CPKC's Rosenberg Subdivision, including by restricting local service, pickups and setouts, interchange, and service to

[4] *See* Memorandum of Understanding among Union Pacific R.R., The Texas Mexican Ry., & The Kansas City Southern Ry. (Nov. 16, 1999) ("Rosenberg/Wharton Line Sale MOU"), §§ I.1(c), I.3; *see also* Rosenberg Line Trackage Rights Agreement (Mar. 12, 2001, as supplemented in 2009 & 2011 & amended in March 2021), § 2(b); Terms for Texas Mexican Ry. Trackage Rights (Dec. 12, 1996, as amended Mar. 12, 2001, supplemented Nov. 16, 2007, & assigned to KCS effective Jan. 1, 2006) ("MP/SP-Tex Mex Terms"), § 2(b); Terms for Texas Mexican Ry. Trackage Rights (Jan. 1997, as assigned to KCS effective Jan. 1, 2006) ("HBT-Tex Mex Terms"), § 2(b); Houston to Beaumont, Texas Trackage Rights Agreement (June 16, 1997, as assigned to KCS effective Jan. 1, 2006) ("SP-Tex Mex Houston-Beaumont Trackage Rights Agreement").

transloads and shipper facilities on CPKC's Rosenberg Subdivision or shippers reached via build-ins/build-outs there.[5]

- NS's Michigan Trackage Rights Agreement ("MTRA") bars CPKC from interchanging any traffic on or at [redacted] and prohibits CPKC from handling automotive traffic to or from [redacted][6]
- The Meridian Speedway, LLC ("MSLLC") agreements give NS [redacted] to handle U.S. intercontinental intermodal traffic (*i.e.*, between points in the United States west of Dallas/Fort Worth and points east of Meridian). CPKC cannot solicit that traffic or participate in it, except as MSLLC's contractor providing haulage service to NS.[7]
- Geographic restrictions on CPKC's rights to serve customers at Roseport in the Rosemount, MN area limit loaded traffic involving [redacted]

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[5] *See* Rosenberg/Wharton Line Sale MOU § I.3; *see also* Rosenberg Line Trackage Rights Agreement § 2(b); Amendment to Terms for Texas Mexican Ry. Trackage Rights (Mar. 12, 2001), § 1 (amending § 2(b) of MP/SP-Tex Mex Terms); MP/SP-Tex Mex Terms, § 2(a); *see also* SP-Tex Mex Houston-Beaumont Trackage Rights Agreement, § 2(a).

[6] Michigan Trackage Rights Agreement (June 2, 2005, as amended) ("MTRA"), §§ 3(d), 3(i), 5(b).

[7] *See* NSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended) ("NSR JUA"), §§ 1(b), 2(b), 4(a), (b); *see also* KCSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended) ("KCSR JUA"), §§ 1(b), 4(a), (c).

[redacted] while preserving expressly permitted geographic flows.[8] Separately, local-service restrictions at Fairmont prevent CPKC from serving UP sole-served customers, [redacted] which are closed on UP track that CPKC traverses.[9]

As explained below in Section V.B., these restrictions already operate to limit CPKC's competitive capacity, and a merger between UP and NS would greatly exacerbate the adverse impacts of those limitations.

III. UP'S EXERCISE OF CONTROL OVER SHARED LINES AND FACILITIES LIMITS THE EFFECTIVENESS OF CPKC'S COMPETITION USING THOSE RIGHTS

12. The Board should consider CPKC's first-hand experience competing with UP while depending on UP-controlled lines and facilities. The examples below show a recurring pattern: UP exercises its control over operating rules, dispatching, maintenance, and capacity investment in ways that limit CPKC's ability to use its operating rights effectively. These practices affect UP lines over which CPKC holds trackage or haulage rights, as well as UP-CPKC joint lines and locations where the railroads' networks intersect. UP has repeatedly declined or delayed performance of its contractual obligations and regulatory conditions that were intended to constrain UP's control. The resulting restrictions, delays, and additional costs that UP has imposed on CPKC have impaired the competition those rights were intended to preserve.

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[8] *See* Verified Statement of John Brooks ¶¶ 232-34 ("Brooks V.S."); *see also* Roseport Trackage Agreement (Apr. 17, 1968), § 13.

[9] Chicago & Nw. Transp. Co. & Chicago, Milwaukee, St. Paul & Pacific R.R. Agreement (Apr. 1, 1974), § 5.1(a)-(b).

13. The consequences of UP's decisions often fall disproportionately on CPKC because certain shared lines are more important to CPKC's network than to UP's. UP's Brownsville Subdivision (between Robstown and Bloomington, TX), for example, is an essential part of CPKC's premium-service route to Mexico, whereas it is a less important line (without premium services) in UP's network; UP has alternative routes to/from Mexico via San Antonio and Eagle Pass, among others. UP therefore can restrict operations or defer improvements on the Brownsville Subdivision without bearing the same adverse operational consequences as CPKC. In my view, that asymmetry gives UP an incentive and ability to use its control to place CPKC at a competitive disadvantage. At a minimum, improvements needed to support CPKC's service and growth are ranked by UP below projects serving UP's own priorities elsewhere on its network. In either case, CPKC cannot obtain the full benefit of its rights when necessary operating decisions or investments remain subject to UP's willingness to act.

14. The proposed merger would increase both the scope of UP's control and its incentive to exercise that control to CPKC's disadvantage. UP would acquire NS lines and facilities on which CPKC depends, including the Chicago-Detroit route, and would control additional points of contact with CPKC's network described in Section II. At the same time, the combined carrier would have a broader set of commercial interests that compete with CPKC (such as a longer-haul and greater profit potential from using its leverage to win traffic opportunities between Mexico and points in the Southeast reached via the NS network). As a result, the merged carrier would have a greater incentive to use its control to inhibit CPKC's competing services to drive more traffic to its own network. The merger would thus expose more of the infrastructure CPKC needs to compete to UP's obstructionist practices described in this Section, while creating additional reasons for UP to give that infrastructure lower priority.

15. The following examples illustrate these concerns and the practical limits of relying on contractual and regulatory protections alone. Even when CPKC ultimately succeeds in enforcing a right, the intervening loss of service, added expense, and delay in improvements can impair its ability to compete for traffic and serve customers.

A. Deny and Delay—UP's Exploitation of Its Contractual and Operational Leverage over KCS and CPKC with Respect to Robstown-Beaumont Trackage Rights

16. As a condition of the merger of UP and Southern Pacific ("SP") in 1996, the Board granted The Texas Mexican Railway Company ("Tex Mex") trackage rights between Beaumont and Robstown over track of UP (including its subsidiary Missouri Pacific Railroad Company ("MP")),[10] SP, and the Houston Belt & Terminal Railway Company ("HBT") to provide Tex Mex with a connection to The Kansas City Southern Railway Company ("KCSR") at Beaumont to enable a competitive alternative to the merged UP-SP. Initially, Tex Mex's right to operate between Houston and Robstown was set forth in an agreement granting Tex Mex access over certain MP and SP lines between Houston and Robstown via Rosenberg, Flatonia, and Victoria. That agreement was presented to the Board for the resolution of certain disputed issues and was approved and imposed on UP by the Board as modified.[11] In 2006, following KCSR's acquisition of control of Tex Mex, Tex Mex assigned its trackage rights over UP for operation between Beaumont and Robstown to KCSR.[12]

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[10] MP was, at the time immediately prior to the UP-SP merger, a wholly owned subsidiary of Union Pacific Corporation.

[11] *See Union Pac. – Control & Merger – S. Pac.*, 1 S.T.B. 591, 594, 622 (1996).

[12] *See Kan. City Southern, The Kan. City Southern Ry., & The Texas Mexican Ry. – Exemption for Transactions Within a Corporate Family*, Finance Docket No. 34849, (STB served Apr. 17, 2006) at 1.

17. In 1999, Tex Mex reached agreement with UP to acquire 84.5 miles of the former SP Wharton Branch between Rosenberg and Victoria, TX (referred to as the "Rosenberg Line Sale Portion" in the MOU agreement), along with trackage rights over short segments that UP retained at either end of this line that connected the new trackage with Tex Mex's preexisting rights over UP between Houston and Robstown (specifically 2.5 miles on the north end at Rosenberg and 3.8 miles at the south end at Victoria).[13] At the same time, UP and Tex Mex agreed to certain modifications to the UP-Tex Mex trackage rights agreements to allow Tex Mex to use those rights to handle traffic to and from shippers on the Rosenberg Line Sale Portion. The Board approved the transaction in December 2000.[14] In 2005, Tex Mex became a wholly owned subsidiary of KCSR. In 2008 and 2009, despite the advent of the Great Recession, KCSR rebuilt the Rosenberg-Victoria line at a cost of approximately $173.5 million and put it back in service. The Wharton Line is now known as CPKC's Rosenberg Subdivision. Figure 2 below illustrates CPKC's rights between Robstown and Beaumont.

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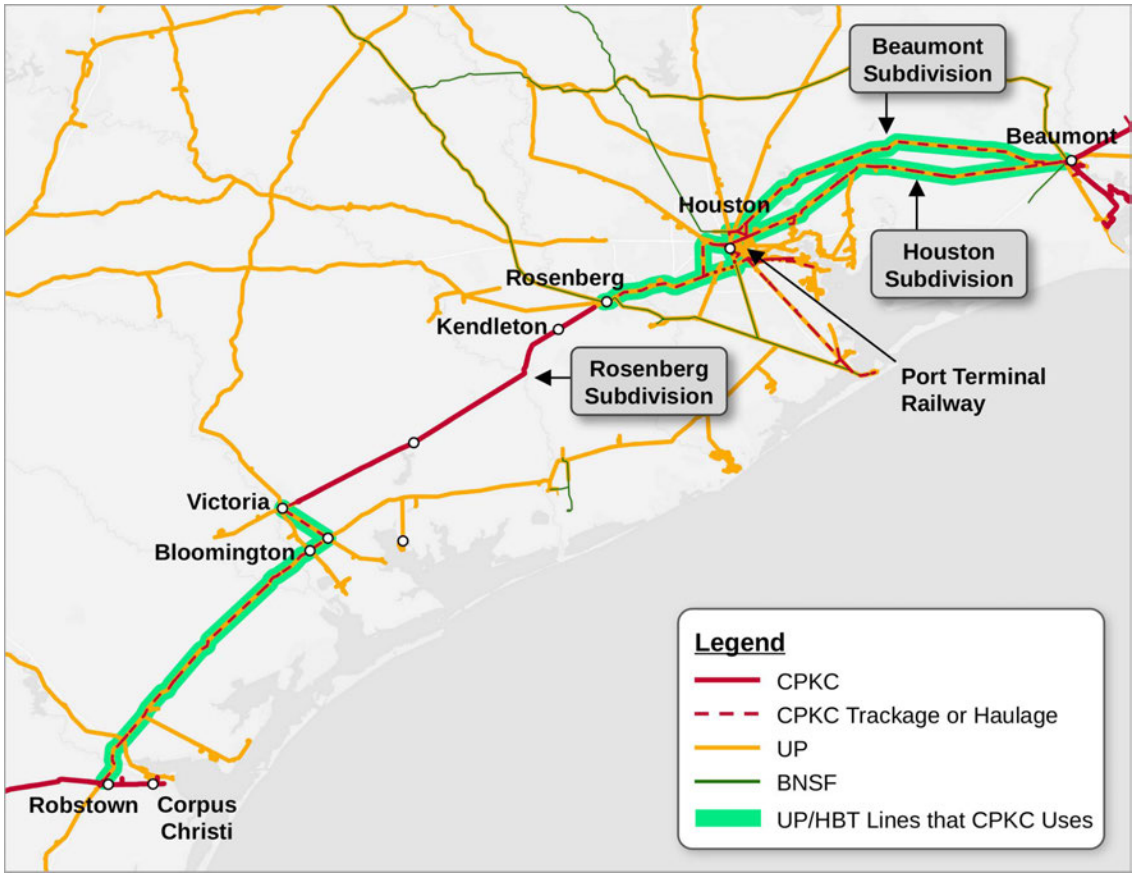
[13] *See* Rosenberg/Wharton Line Sale MOU, § I.3; *see also* MP/SP-Tex Mex Terms, § 2(b); Rosenberg Line Trackage Rights Agreement, § 2(b).

[14] *See Tex. Mexican Ry. – Purchase Exemption – Union Pac. R.R.*, 5 S.T.B. 379, 385-88 (2000).

FIGURE 2
CPKC RIGHTS BETWEEN ROBSTOWN AND BEAUMONT



18. Through its trackage rights on the UP-owned 3.8 miles of track at the south end of CPKC's Rosenberg Subdivision, CPKC connects to UP's Cuero Subdivision in Victoria. From there, CPKC's trackage rights extend south to where the Cuero Subdivision intersects the south end of UP's Angleton Subdivision at Placedo, a short distance east of where the Angleton Subdivision connects to the Brownsville Subdivision near Bloomington, TX.

19. As previously noted, CPKC's rights over the UP Brownsville Subdivision between Robstown and Bloomington are an essential component of CPKC's main-line service route to the U.S.-Mexico border. For UP, however, the route is of secondary importance; UP's premium service routes to/from Mexico run through San Antonio and UP's lines between there

and the Eagle Pass and Laredo gateways. CPKC's trains on the Brownsville Subdivision outnumber UP and BNSF trains combined. And CPKC operates premium intermodal service on this trackage rights route, whereas UP does not. Accordingly, while some of UP's own trains might be affected by limiting operational fluidity on the Brownsville Subdivision, the operational consequences fall more heavily on CPKC. This asymmetry reduces UP's incentive to undertake or prioritize investments that CPKC needs to maintain and expand service on the shared route. As CPKC leadership has elsewhere explained, "[a]cross the parts of CPKC's network where it shares facilities with Union Pacific, UP has used its control of capacity investments to hold up work needed to support CPKC's traffic growth, while UP took advantage of other routes bypassing the track used by CPKC."[15]

1. UP's Resistance to Network Fluidity Measures and Capacity Expansion Projects That Would Benefit CPKC

20. The parties' 1996 trackage rights agreement covering the Brownsville Subdivision, imposed in the UP-SP merger to preserve competition, requires UP to maintain the track standard and physical capacity of the shared trackage *and* to make necessary infrastructure improvements "to accommodate [UP's, BNSF's and CPKC's] traffic while maintaining at existing service standards (including transit times)."[16] Further, the rate per gross ton-mile ("GTM") that CPKC pays under the agreement covers capital projects "to the extent required by the first sentence of Section 2.2" of those General Conditions.[17]

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[15] James Clements, *Commentary: It's About More Than Counting Votes*, CPKC (July 15, 2026) https://www.cpkcr.com/en/media/Rail-Consolidation-Updates/RailwayAge-Article.

[16] MP/SP-Tex Mex Terms, Ex. B, General Conditions, § 2.2.

[17] MP/SP-Tex Mex Terms § 3(a), Ex. B, General Conditions, § 1.3.

21. UP has continually ignored these contractual responsibilities to accommodate CPKC's traffic while maintaining service standards and transit times.[18] Instead, UP required KCSR to enter into "settlement agreements" under which KCSR had to pay amounts above and beyond the GTM rate for capital projects that, by contract, should have been covered by the GTM rate.[19] As a consequence, KCSR paid tens of millions of dollars to improve UP's Brownsville Subdivision in order to continue to grow and compete with UP.

22. Faced with the choice of entering into "settlement agreements" or pursuing arbitration or regulatory proceedings that could take years, KCSR repeatedly proposed capacity-expansion projects for which it would fund its usage-based portion and, to the extent possible, perform the required work.

23. UP generally responded that a suggested project would have to wait for design and then for the work to be scheduled, creating further delays.[20] Further, [redacted]

24. These delays illustrate how UP's control over the timing of capacity improvements can constrain CPKC's growth even when CPKC is willing to contribute funding

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[18] UP's evasion of these contractual responsibilities is described in additional detail in the Reply Verified Statement of Stephen Simmons that was submitted by CPKC in the Board proceeding regarding the CP/KCS transaction. *See Canadian Pacific Ry .– Control – Kansas City Southern* ("*CP/KCS*"), Applicants' Response to Comments & Requests for Conditions, Opposition to Responsive Applications, & Rebuttal in Support of the Application, Vol. 2, Reply Verified Statement of Steve Simmons, Finance Docket No. 36500 (filed July 13, 2022) at 9-22.

[19] *See* Settlement Agreement Regarding Payment for Projects on the Brownsville/Angleton Subs Between Union Pacific R.R. & The Kansas City Southern Ry. (Nov. 6, 2012); *see also* KCSR/UP Settlement Agreement (Apr. 2015); KCSR/UP Modification of Apr. 2015 Settlement Agreement (executed June 14, 2017 by KCS, June 9, 2017 by UP).

[20] *See, e.g.*, Letter Agreement from Greg Walling to Cameron Scott (Nov. 1, 2012); Settlement Agreement Regarding Payment for Projects on the Brownsville/Angleton Subdivisions Between Union Pacific R.R. & The Kansas City Southern Ry. (Nov. 6, 2012).

and perform the work. Given the extensive capital projects UP will need to undertake across its new transcontinental network if its merger with NS is approved, I expect projects needed for CPKC's competitive service to face further delays as they compete with the combined carrier's investment priorities.

2. UP's Failure to Remedy Longstanding Slow Orders Between Victoria and Robstown

25. CPKC's trackage rights agreement states explicitly that UP would "keep and maintain the Joint Trackage on a consistent basis at no less than the track standard designated in the timetable in effect on the date of the Terms."[21] Nevertheless, UP has maintained a number of longstanding slow orders on the Brownsville Subdivision—including two slow orders that first went into effect in 2011 and another two that began in 2020—that have resulted in track speeds degrading to speeds that are below the agreed upon standard:

TABLE 1:
BROWNSVILLE SUBDIVISION SLOW ORDERS AND TIMETABLE SPEED STANDARDS

Brownsville Subdivision Milepost	Current Speed Restriction	UP's 1996 Timetable Speed Restrictions	Track Speed Required	Loss in Velocity	Year Slow Order First Went Into Effect
219.3 - 219.0	30 MPH	No Speed Restrictions	50 MPH	-20 MPH	2011
216.1 - 216.0	25 MPH	35 MPH Speed Restrictions	35 MPH	-10 MPH	2020
154.5 - 154.4	25 MPH	No Speed Restrictions	49 MPH	-24 MPH	2011
152.6 - 142.2	40 MPH	No Speed Restrictions	49 MPH	-9 MPH	2020

26. [redacted]

[21] *See* Rosenberg Line Trackage Rights Agreement, Ex. B., General Conditions § 2.2; *see also* MP/SP-Tex Mex Terms, Ex. B, General Conditions, § 2.2.

[redacted]

Under that interpretation, improvements on portions of the route important to UP could offset deterioration on portions more important to CPKC, *i.e.*, the Brownsville Subdivision, leaving CPKC without the benefit of the agreed track standard on those segments. As explained above, all CPKC trains to and from Mexico must flow over the Brownsville Subdivision, while UP has alternative routes to Mexico through San Antonio and other gateways. Additionally, CPKC's trains on the Brownsville Subdivision significantly outnumber UP and BNSF trains combined. Thus, slow orders on the Brownsville Subdivision impact both a higher absolute number and a higher proportion of CPKC trains than UP trains.

27. These slow orders require CPKC trains to decelerate to the applicable reduced speed and then accelerate back to normal track speed. By sprinkling slow orders across the Brownsville Subdivision, UP's control of track maintenance effectively slows passage across the entire subdivision. Even assuming optimal conditions to minimize these delays, CPKC's service design group calculates the minimum delay from each of these slow orders is ten minutes per train, which adds up across repeated slow orders.[24] And, as explained, the burden of these delays caused by UP's track maintenance practices impacts CPKC more than it does UP.

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22 Letter from Mark Redd to Eric Gehringer (June 23, 2026) (attached hereto as Exhibit 1).

23 Letter from Derek Hinds to Steve Simmons (Aug. 28, 2026) (attached hereto as Exhibit 2).

24 Gameiro Workpaper – Brownsville Subdivision Slow Order Delays.

28. Similarly, CPKC paid to install a higher-speed turnout from the Cuero Subdivision to the Angleton Subdivision, just east of Bloomington.[25] The turnout was built to handle trains traversing it at twenty miles per hour. UP, however, never increased the timetable speed above the previous ten miles per hour to match the capability of the new turnout. While UP trains are also limited to ten miles per hour traversing the turnout, UP trains often slow to do work in nearby Bloomington Yard while CPKC trains do not. Further, as previously noted, CPKC operates more trains on the Brownsville Subdivision than UP does. Therefore, UP's refusal to raise the timetable speed over the turnout adversely impacts CPKC more than UP. This refusal also ensures that CPKC has paid to improve UP's track, while getting no benefit from doing so.

3. UP's Use of Operating Restrictions on the Brownsville Subdivision to Obtain Concessions from CPKC

29. UP has also used its control over operating rules on the Brownsville Subdivision to restrict CPKC's operations in pursuit of concessions elsewhere. In 2023, UP arbitrarily imposed an 8,000-foot maximum train length limit on CPKC's use of UP's Brownsville Subdivision. This limitation was not necessitated by infrastructure conditions because, as a result of KCS investments on the line, most sidings on the subdivision exceeded 10,000 feet.

30. Indeed, KCS invested many tens of millions of dollars into the Brownsville Subdivision (and the adjoining Cuero Subdivision) on the express understanding with UP that those improvements would increase capacity and fluidity for both carriers. Table 2 below provides a synopsis of the new sidings and siding extensions that were added between 2011 and

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[25] Supplement to the Rosenberg Line Trackage Rights Agreement (Apr. 29, 2009), ¶ 2.

2019 to support fluid operations on the Brownsville Subdivision between Bloomington and Robstown.

TABLE 2
SIDINGS SUPPORTING OPERATION OF LONG TRAINS ON PORTION OF BROWNSVILLE SUBDIVISION USED BY CPKC

LOCATION	STATE IN 2011	CURRENT STATE
Benavides Siding (at Placedo, TX)	Did Not Exist	10,400 ft. siding
Inari Siding	7,667 ft. siding	10,420 ft. siding
Greta Siding	7,270 ft. siding	14,040 ft. siding
Woodsboro Siding	9,300 ft. siding	9,590 ft. siding
Cranell Siding	Did Not Exist	10,400 ft. siding
Sinton Siding/Running Track	14,004 ft. siding	13,630 ft. siding, plus running track bypassing yard

31. In all, KCS invested $50 million or more to add or lengthen three out of the five sidings on this portion of the Brownsville Subdivision, build a long run-around track at Sinton, and add the new siding at Placedo on the Cuero Subdivision (the Benavides Siding) to stage trains heading south onto the Brownsville Subdivision. All of this work was reviewed and approved by UP, and all of it presupposes that trains well in excess of 8,500 feet – in fact, up to 14,000 feet – would be permitted to operate on that trackage.

32. The nature of the capacity additions that were agreed upon with UP and funded by KCS shows that both railroads understood that trains well in excess of 8,500-feet (indeed, up to 10,000 feet or more) would be allowed to operate on the Brownsville Subdivision. The investments in sidings and siding extensions of well-above 8,500-feet – costing tens of millions of dollars in the aggregate – made sense only because it was the aim of both KCSR and UP to support the operation of trains of 10,000 or more feet in length on this route. The incremental

expenditures needed to take these sidings beyond 8,500 feet would not have made sense were train lengths in this territory capped at 8,500 feet.

33. The events that culminated in UP's retaliatory action began in May 2023, when CPKC advised its MSLLC joint venture partner, NS, that it was reinstating an 8,500-foot limit for all trains on the Meridian Speedway effective in June 2023. CPKC made this decision because the siding lengths on the Meridian Speedway—which were built for 8,500-foot trains[26]—could not handle 11,000-foot trains without those non-fitting trains interfering significantly with other trains operating on the line.[27] This issue had been a topic of discussion with NS at least since 2020.[28] NS chose not to pursue extending the sidings as allowed by the terms of the MSLLC agreements.[29] Instead, [redacted]

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[26] *See* NSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended) ("NSR JUA"), § 6(b)(v) [redacted]

[27] [redacted]

Email from Raymond Elphick to Rick Lichtas (Oct. 24, 2023) (attached hereto as Exhibit 3).

[28] *See* Email from Steve Simmons to Jeffrey Songer (Nov. 6, 2020) (attached hereto as Exhibit 4).

[29] *See* Limited Liability Company Agreement of Meridian Speedway, LLC (May 1, 2006), § 5.12.

[redacted][30] Because CPKC viewed the longer sidings as being for NS's sole benefit, CPKC did not agree to NS's proposal.

34. In October 2023, UP informed CPKC that it was imposing an 8,000-foot maximum train length limit on CPKC's use of UP's Brownsville Subdivision despite the fact that, as explained above, the Brownsville Subdivision is designed for trains above 10,000 feet. The restriction on the Brownsville Subdivision had an immediate operational and competitive impact on CPKC and its customers by forcing CPKC to remove cars from many of its trains going to and from Mexico.[31] Rather than pursue a lengthy legal challenge to the restriction, CPKC agreed to allow a single 11,000-foot eastbound UP-NS haulage train on MSLLC in exchange for UP lifting the Brownsville Subdivision train-length limit and UP's commitment to cooperate on certain commercial matters.

35. One of those commercial matters was UP's agreement to sell to CPKC a sliver of land near Blue Valley, MO, which was needed to support CPKC's plan to double-track a portion of its mainline south of Kansas City to improve fluidity of traffic flows through Kansas City, an area that the UP-NS merger now threatens with additional congestion. However, after getting the Meridian Speedway concession, UP reneged on its promise to sell CPKC the Blue Valley real estate parcel that was needed for the improvement. As a result, CPKC reverted to the 8,500-foot limitation on UP-NS haulage trains on MSLLC.[32]

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[30] *See* Proposed Memorandum of Understanding Long Train Corridor Development Between Shreveport, LA & Atlanta, GA (June 30, 2021).

[31] The MSLLC dispute is described in further detail in a letter CPKC submitted to the Board on November 13, 2025. *See CP/KCS*, CPKC Reply to UP & NS Correspondence Regarding Meridian Speedway (CPKC-48), Finance Docket No. 36500 (Sub-No. 6) (filed Nov. 13, 2025).

[32] *See* Letter from Mike Foran to Carl Garrison (Aug. 21, 2025) (attached hereto as Exhibit 5).

36. This episode illustrates how UP uses control over a route that is essential to CPKC—and over which CPKC has binding operating rights—in order to obtain concessions elsewhere to which UP is not entitled. Indeed, it is worth emphasizing that, whereas CPKC has trackage rights over the Brownsville Subdivision, UP has no ownership or right to use the Meridian Speedway. The trains that UP interchanges for movement by CPKC are NS haulage trains. And NS, not UP, has the right to upgrade Meridian Speedway infrastructure if it chooses to do so in order to handle the longer UP trains without disruption to other traffic.

37. Therefore, by imposing an 8,000-foot maximum train length limit, UP forced CPKC to choose between operational disruption or capitulation to UP's demands for concessions, despite the fact that CPKC holds trackage rights over the Brownsville Subdivision that were granted by the Board to preserve competition. A merger that places additional CPKC routes under UP's control would create more opportunities for this sort of hold-up.

4. UP's Dispatching Practices at Points Where CPKC Exercises Operating Rights

38. In the areas of UP's network where CPKC is dependent on UP's dispatching, UP dispatchers consistently establish an extensive umbrella of protection around upcoming movements of UP trains, holding all potentially conflicting movements in favor of their trains.

39. Other long-standing operational issues on the Robstown-Beaumont corridor illustrate UP's willingness to use its dispatching control to disadvantage its competitors. At times, UP has not had sufficient crews for its trains using the joint trackage, yet UP's Joint Director at the Spring Center has nonetheless prioritized moving UP trains, resulting in holding CPKC trains that were crewed and ready while UP's trains advanced. At other times, UP has

made unilateral decisions to extend work events, thus preventing CPKC trains from entering the joint trackage at Beaumont (and elsewhere) for an unreasonably lengthy period.

40. Similarly, UP delays higher-priority CPKC trains by favoring its local trains at both Bloomington and Robstown. UP held southbound CPKC trains on CPKC's Rosenberg Subdivision while a UP local is working in or around Bloomington. UP also holds northbound CPKC trains on CPKC's line at Robstown while UP's local works at Odem and Sinton. In these situations, UP typically asserts that CPKC is not being disadvantaged because the CPKC trains have not yet entered the joint track, even though those trains have a higher dispatching priority than UP's local trains.

B. UP's Refusal to Honor CPKC's ICC-Imposed South End Haulage Rights

41. In a dispute that required Board resolution,[33] UP refused to honor CPKC's South End haulage rights, which were imposed by the Interstate Commerce Commission to address competitive harms arising from UP's merger with Missouri-Kansas-Texas Railroad ("MKT") in the late 1980s.

42. After the CP/KCS transaction, UP took the position that KCS—as a CPKC subsidiary—could no longer use its longstanding South End haulage rights between Beaumont and Houston/Galveston to move grain traffic originated on the CP network north of Kansas City.[34] CPKC brought the dispute before the Board in 2023, and, in 2025, the Board rejected UP's position and enforced the UP/MKT merger condition imposed in 1988. Although UP's

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[33] *See UP/MKT*, Finance Docket No. 30800 (Sub-No. 22), (STB served July 7, 2025), at 6.

[34] *See UP/MKT* (Sub-No. 22), KCSR Petition to Enforce Condition (filed Aug. 1, 2023) (detailing UP's refusal to honor south end haulage rights and attaching exhibits demonstrating said refusal).

effort to evade its obligations under this merger condition failed before the Board, CPKC was prevented from competing for grain traffic during the 2023 and 2024 harvest seasons.

43. This episode shows UP's ability and willingness to undermine the efficacy of protections imposed by the Board or its predecessor by disputing their scope and forcing CPKC to seek enforcement.

C. UP's Refusal to Allow CPKC's Continued Use of the Incline Track in Kansas City to Interchange with BNSF

44. For approximately 100 years, CPKC and its predecessors[35] used the North End Freight Line of the Kansas City Terminal Railway Company ("KCT") to interchange traffic efficiently in, and operate through, the Kansas City Terminal. In more recent times, this has included interchange between CPKC's Knoche Yard on the east side of the terminal and BNSF's Argentine Yard on the west side. After leasing the North End Freight Line from KCT in connection with UP's merger with MP, UP reconfigured the North End Freight Line to remove a portion of track while connecting the North End Freight Line to the UP-owned Incline Track, which CPKC and BNSF began to use for interchange. However, in early 2024, UP denied CPKC and BNSF the right to use the Incline Track, thereby depriving UP's competitors of their historic and efficient interchange connection in Kansas City.

45. More specifically, KCT's North End Freight Line had previously connected directly to BNSF's rail line. The historic route for this interchange is shown in Figure 3 below.

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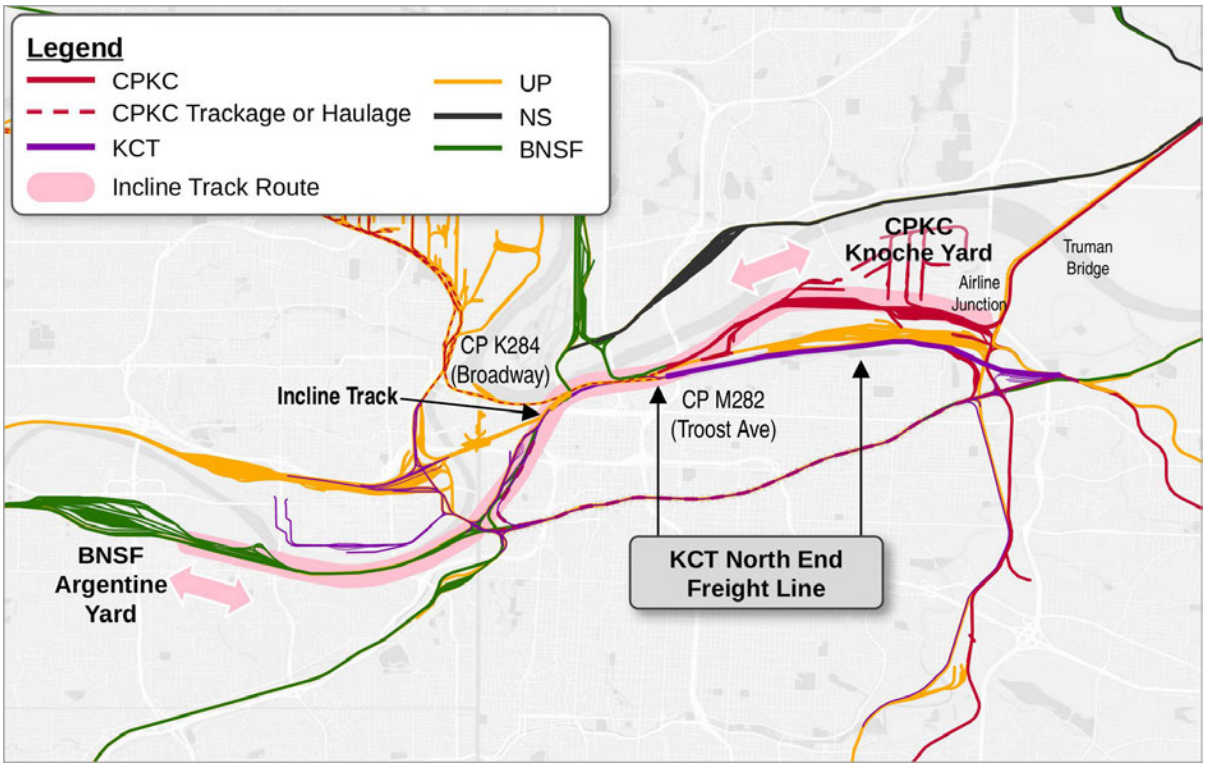
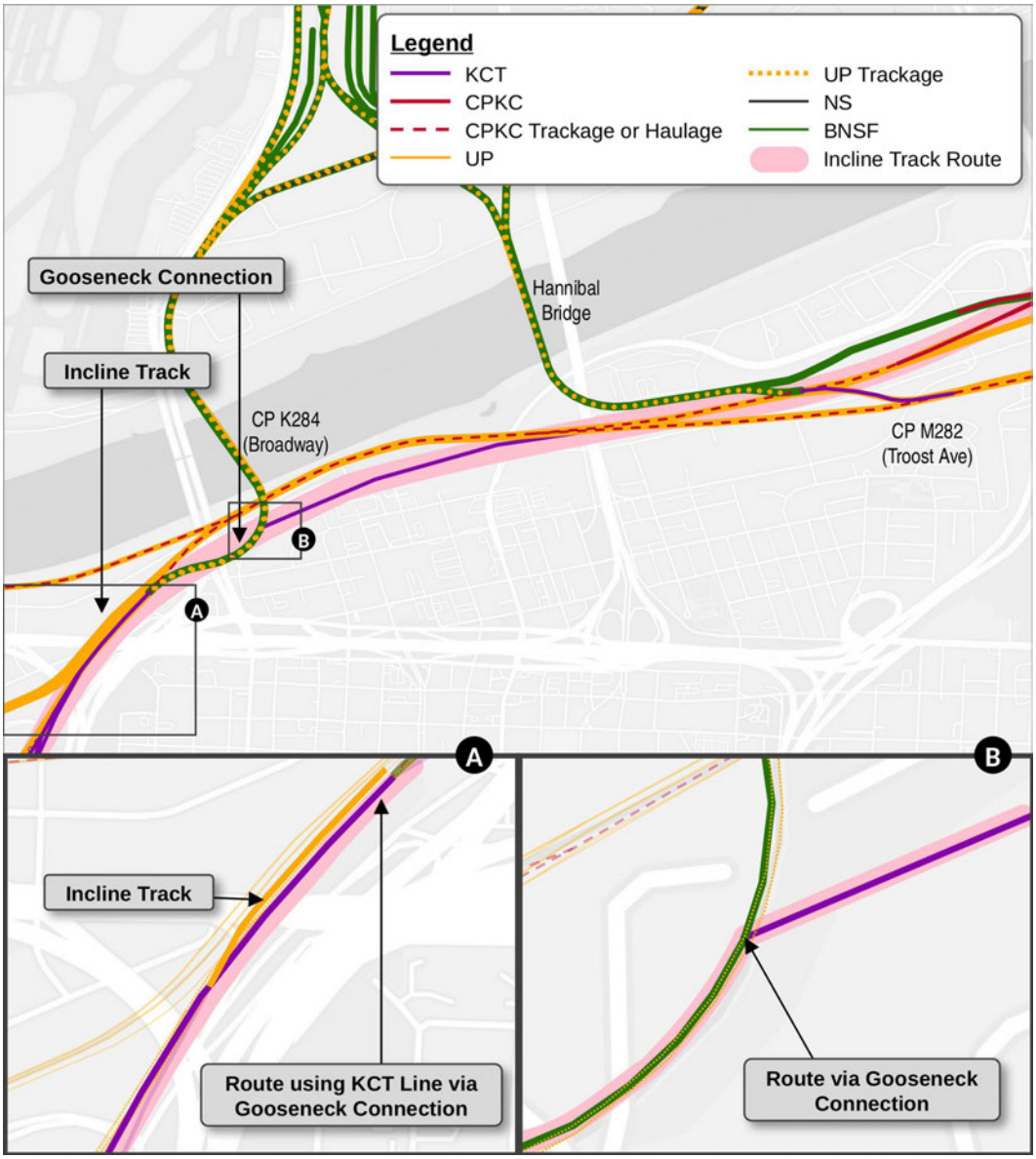
[35] For ease of reference, CPKC, UP and BNSF are also used herein to refer to their respective predecessors.

FIGURE 3
NORTH END FREIGHT LINE ROUTE BETWEEN
CPKC'S KNOCHE YARD AND BNSF'S ARGENTINE YARD



46. The Gooseneck connection—a portion of the North End Freight Line that was previously used by CPKC to interchange with BNSF—is shown in Figure 4 below.

FIGURE 4
GOOSENECK CONNECTION



47. In the early 1980s, UP and MP sought merger approval from the Board's predecessor. In their merger application, UP and MP described their plans to reconfigure the North End Freight Line and represented that KCT owners would share use of the improved line. In connection with the UP/MP merger, MP entered into a 1984 lease agreement with the KCT

under which UP leases and controls the North End Freight Line (the "1984 Lease").[36] The 1984 Lease also contemplated that UP would reconfigure the North End Freight Line to eliminate redundant KCT trackage and shift all traffic to UP's remaining tracks and connections. Thus, the 1984 Lease provided that the remaining UP trackage and connections would be substituted for the leased KCT property, *i.e.*, the trackage would become part of the leased North End Freight Line. A core condition of the lease is that KCT owners—including CPKC—continue to have the right to use the North End Freight Line. The 1984 Lease thus committed UP to enter into trackage rights agreements to effect those rights. CPKC is party to such a trackage rights agreement (the "1984 Trackage Rights Agreement").[37]

48. As part of the reconfiguration of the North End Freight Line, UP removed the old KCT trackage that connected to the BNSF line, referred to as the Gooseneck connection, as shown in Figure 5 below. This reconfiguration left a short segment of UP's track known as the Incline Track as the sole remaining connection between the North End and BNSF's line, as shown in Figure 5 below.

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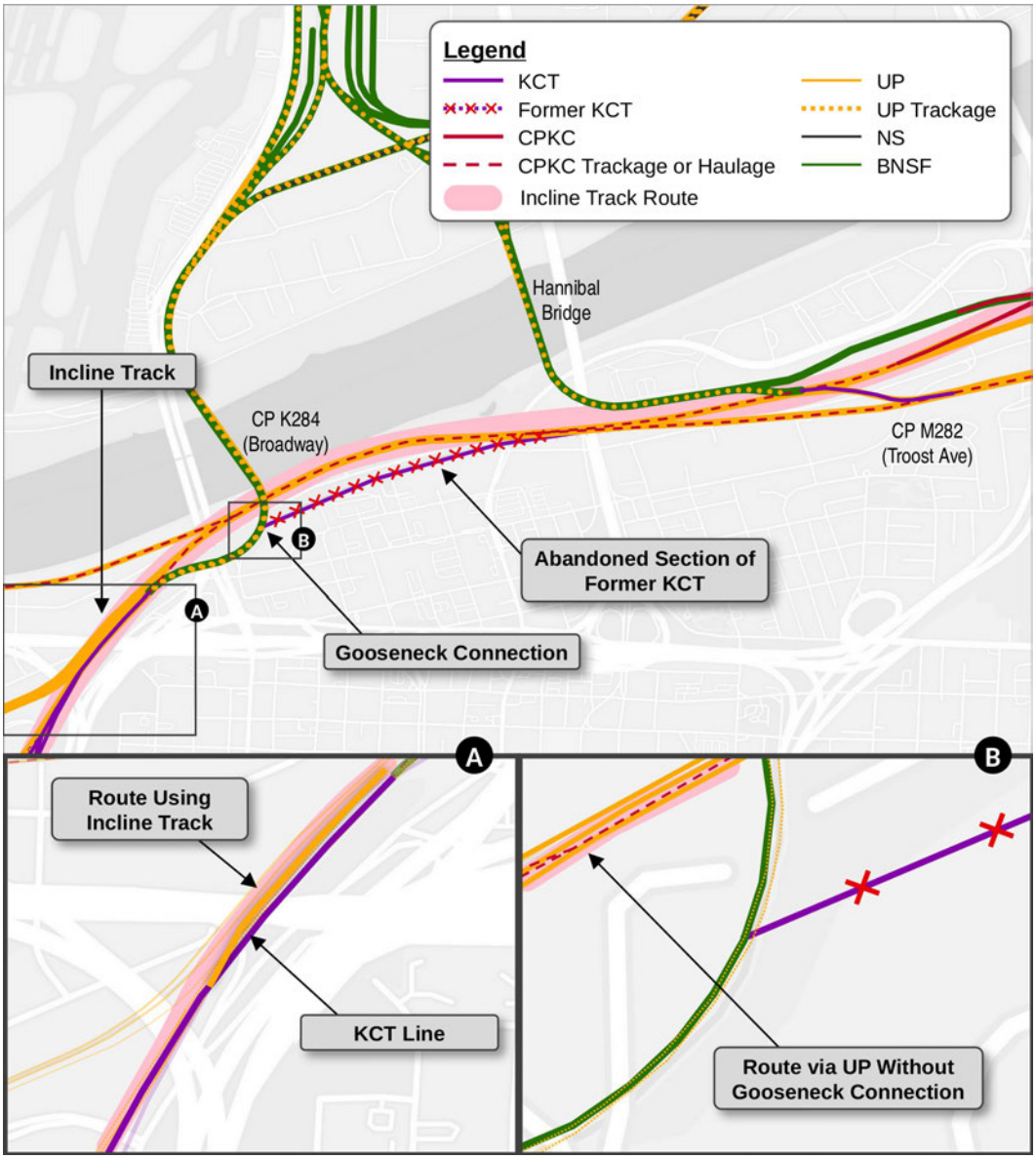
[36] KCT-MP Lease Agreement (June 26, 1984).

[37] Incline Track Trackage Rights Agreement (June 26, 1984).

FIGURE 5
REMOVAL OF GOOSENECK CONNECTION



49. At the time of the removal, CPKC was already operating over the Incline Track pursuant to a 1981 trackage rights agreement (the "1981 Supplemental Agreement"),[38] and CPKC continued to operate over the Incline Track after the removal of the Gooseneck

[38] Incline Track Supplemental Agreement (July 1, 1981).

connection, which had previously provided a direct connection of KCT and BNSF trackage. When UP reconfigured the North End Freight Line and left the Incline Track as the only connection to BNSF's line, the replacement property provisions extended CPKC's rights as a KCT owner under the 1984 arrangements to the Incline Track.

50. Using their access over the North End Freight Line as KCT owners, CPKC and BNSF alternated responsibility for interchange every six months. Interchange via this route was efficient because the same crew that delivered cars in interchange to the other carrier's yard ordinarily was able to operate in turnaround service; *i.e.*, that same crew could also pull cars from the other carrier's yard and return to its home yard before expiring on hours of service.

51. In February 2024, UP announced its refusal to allow CPKC and BNSF to operate via the Incline Track, effective as of March 5, 2024.[39] In February 2026, CPKC requested that UP allow CPKC to resume use of its rights to the Incline Track.[40] While UP acknowledged CPKC's right to use the tracks and facilities covered by the 1984 Lease, UP disputed that the leased premises included the Incline Track.[41] As CPKC explained to UP, UP's position ignores that UP's reconfiguration of the North End Freight Line removed the only other existing west end connection with the North End Freight Line. As a result, CPKC's use of the Incline Track is necessary to make use of the North End Freight Line. Without the ability to use the Incline Track, CPKC's right to use the North End Freight Line would be meaningless—there would be no eastbound access and no western egress for westbound traffic. Additionally, because no

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39 Letter from Melissa Grosz to Will Wangerin (Feb. 5, 2024) (attached hereto as Exhibit 6).

40 Letter from Will Wangerin to Melissa Grosz (Feb. 2, 2026) (attached hereto as Exhibit 7).

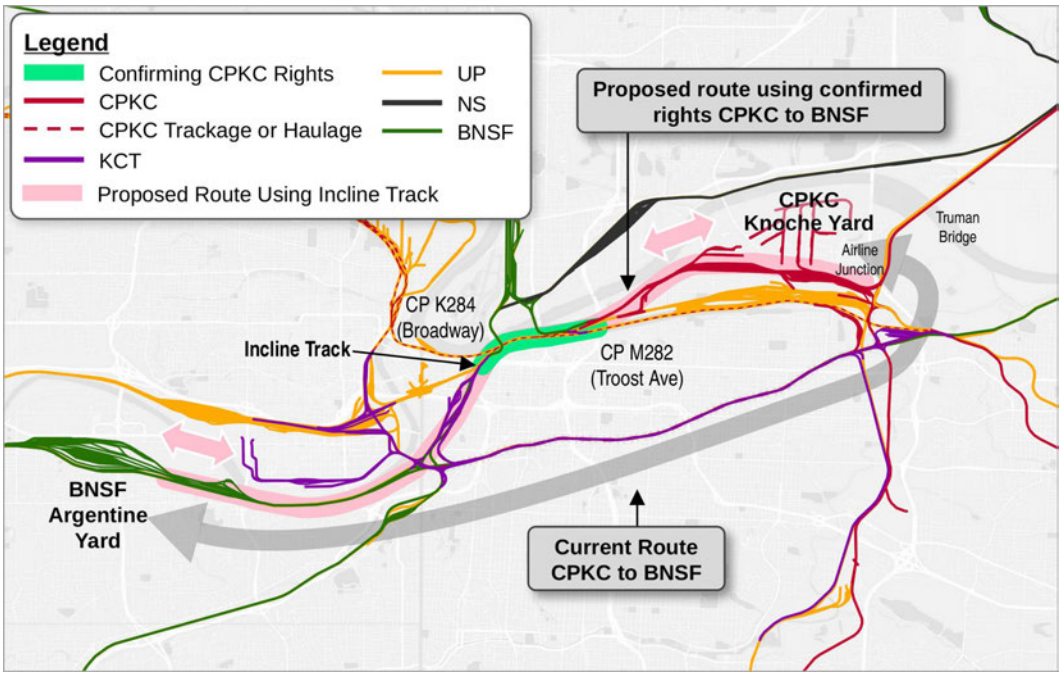
41 Email from Melissa Grosz to Will Wangerin (Feb. 27, 2026) (attached hereto as Exhibit 8, at 6-7).

regulatory authority has been granted to terminate CPKC's trackage rights under the 1984 Trackage Rights Agreement, those rights continue in existence.

52. As a result of being denied access to the Incline Track, CPKC and BNSF were forced to move interchange operations to KCT's southern line, entering and exiting Knoche Yard from the east and requiring operations through Airline Junction, Southwest Junction, and across the same KCT mainline that already handles Amtrak passenger trains and BNSF's expedited West Coast-Chicago trains. As compared to the current route used by CPKC and BNSF, which is shown in Figure 6 below, CPKC's route to BNSF's Argentine Yard, using the UP Incline track, is approximately four miles shorter, takes approximately [redacted] and does not require a consist reduction because of the 1.2 percent grade on the alternate route.[42] Using the UP Incline track route also does not create delays with overhead trains at Airline Junction or Southwest Junction because CPKC is able to build the complete train in our Knoche yard for departure. The alternate route causes unnecessary delays at Airline and KCS Junctions when building the train due to the need to occupy the signals when folding over the train.

[42] The route from Airline Junction to Argentine is approximately 8.5 miles and has an average run time of [redacted] whereas the route from Troost Avenue to Argentine Yard is approximately 4.5 miles and has a total run time of approximately [redacted] *See* Gameiro Workpaper – Kansas City Terminal Alternate Routes Velocity Report.

FIGURE 6
ROUTES BETWEEN CPKC'S KNOCHE YARD AND BNSF'S ARGENTINE YARD



53. The problems with the current route begin as Train KK20 prepares to depart from Knoche Yard. The train must exit the east side of Knoche Yard onto the busy shared UP-CPKC single main line at Airline Junction. BNSF also operates in this corridor. Train KK20 must first wait for clearance from the KCT dispatcher. If a UP train is working at UP's nearby Neff Yard and blocking the Southwest Junction, which currently occurs approximately once a month, the wait can be several hours. This can cause the crew of Train KK20 to expire on hours of service, resulting in a missed transfer. This missed transfer in turn causes congestion in Knoche Yard.

54. By blocking CPKC and BNSF from interchanging via the Incline Track/North End Freight Line route, UP has made CPKC-BNSF Kansas City interchange less safe, less reliable, and less efficient, adding congestion in the yards and on the busy KCT Transcon line. Control of this short connecting segment enables UP to determine how two competitors interchange traffic, even though UP is not a participant in that interchange.

55. The current route required by UP's refusal to allow CPKC use of the Incline Track route would be further burdened by the additional congestion that the UP-NS merger is expected to bring to the Kansas City Terminal. UP plans to run approximately 7.5 additional trains per day across the KCT southern mainline and past Southwest Junction and Airline Junction.[43] CN's proposed operations into Neff Yard will also conflict with the current route of CPKC's operations to the west side of the Kansas City Terminal.

56. If CPKC's rights to use the Incline Track/North End Freight Line route were confirmed or reestablished, CPKC's operations would return to the pre-2024 patterns described above. The Board should confirm that those rights remain available or, alternatively, affirmatively grant the rights needed to restore the connection, including necessary connections and incidental operating authority.

57. Two facts provide additional support for the feasibility of restoring CPKC's use of this route. First, CPKC traditionally operated via this route, and nothing has changed about the route to make those operations infeasible. Second, the settlement agreement between CN and UP appears to provide for UP granting trackage rights to CN across the same route between Neff Yard and Broadway via Troost and the Incline Track.[44]

D. UP's Delays in Implementing Dispatching Protections and Reallocating Maintenance Costs in East St. Louis

58. On its East St. Louis Terminal Subdivision, CPKC has experienced two additional instances of UP's refusal to perform its contractual obligations.

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[43] *See* UP-NS Merger Response to Information Request No. 3 A1A2 Rail Segment Maps (UP Segment Key Nos. 12411, 12412, & 102881) (Apr. 30, 2026) at 158, 159, 195, available at https://www.stb.gov/upns-eis-fd36873/documents/.

[44] *See* CN Description of Anticipated Responsive Application (CN-30) (filed Sep. 9, 2026) at 10.

59. ***UP's Refusal to Accept Its Part of Maintenance Costs.*** UP and CPKC jointly own most[45] of the paired tracks between Godfrey and East St. Louis, IL, as a result of the 1989 bankruptcy of the former owner of the lines. By agreement, maintenance costs for the joint facility are allocated according to the percentage of use by UP and CPKC and their authorized tenants (including UP's tenant Amtrak).

60. CPKC recently completed a use study with UP of the joint track, which shows that CPKC's use has declined from [redacted] between Godfrey and Valley Junction to [redacted] CPKC worked with UP on the study,[46] and CPKC provided the study results to UP for adjustment of maintenance cost allocation.[47]

61. However, UP has refused to respond to the joint study and CPKC's proposed revisions to the agreement, resulting in CPKC being billed for maintenance costs that should be covered by UP. UP has delayed and denied executing a revised agreement while continuing to bill grossly overstated amounts and, in response to CPKC's objection to paying those inflated amounts, UP has refused to pay CPKC invoices on other, unrelated matters.

62. ***UP's Delay in Establishing Agreed Dispatching Protections for CPKC.*** UP has also failed to install the AEI readers on the East St. Louis Terminal Subdivision, which were intended to prevent discrimination against CPKC in UP's dispatching of the joint track—even though UP committed to the installation almost thirteen years ago.

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[45] CPKC's subsidiary Gateway Eastern Railway Company (GWER) solely owns the eastern track between Wann and WR Tower, having purchased the same from Conrail.

[46] *See* Emails between Joel Hoberman, Steve Simmons, Melissa Grosz, and others (Oct. 28, 2025 – Nov. 6, 2026) (attached hereto as Exhibit 9).

[47] *See* Letter from Steve Simmons to Melissa Grosz (June 22, 2026) (attached hereto as Exhibit 10).

63. As noted, CPKC's subsidiary GWER is the sole owner of the eastern track portion from Wann to WR Tower of the Godfrey-Valley Junction joint facility. Until 2014, KCSR dispatched both tracks of the joint facility between Wann and WR Tower, while UP dispatched the remainder.

64. In 2014, UP requested that KCSR allow UP to dispatch the Wann-WR Tower segment to facilitate coordination in the handling of Amtrak trains as Amtrak increased speed on its high-speed route from Chicago to St. Louis. The State of Illinois strongly supported UP's request.

65. KCSR agreed to UP's request on the strict condition that UP install AEI readers at the entry points to the track to ensure first-come, first-served dispatching (except for Amtrak priority). UP agreed and the State of Illinois agreed to fund the AEI readers.[48]

66. As of 2026, twelve years later, UP has still not installed the AEI readers it promised to monitor and prevent discrimination against CPKC. When CPKC recently raised the matter, UP said that it would not commit to a timeframe for the installation.[49] Further, in response to CPKC's suggestion that it was contractually entitled to take back dispatching due to discrimination against its trains, UP (in Kafka-esque style) responded that CPKC could not establish discrimination under the dispatching agreement.[50] However, the primary obstacle to CPKC providing that proof was the fact that the dispatching protocols rely on the AEI readers

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[48] *See* KCS Proposal on High Speed Rail Dispatching Between Godfrey & Q Tower (May 23, 2014); *see also* Dispatching Supplement to 1906 Godfrey-E. St. Louis Joint Facility Agreement Between KCS & UP (July 14, 2014); Dispatching Supplement to 1989 Godfrey-E. St. Louis Joint Facility Agreement Between KCS & UP (July 14, 2014).

[49] *See* Letter from David Hughes to Steve Simmons (Mar. 27, 2026) (attached hereto as Exhibit 11); *see also* Letter from David Hughes to Steve Simmons (May 22, 2026) (attached hereto as Exhibit 12).

[50] *See* Letter from David Hughes to Steve Simmons (Mar. 27, 2026) (attached hereto as Exhibit 11).

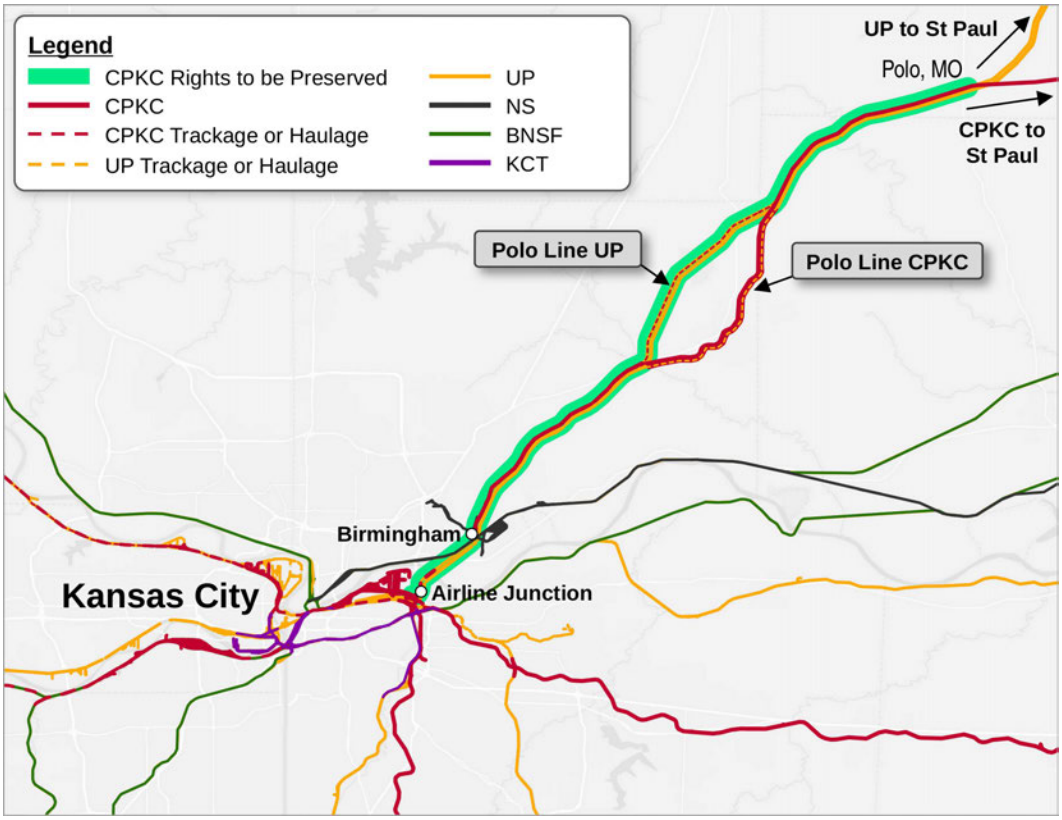
UP has not installed. Therefore, by ignoring its contractual responsibility to install the AEI readers, UP has effectively precluded CPKC from enforcing UP's contractual obligation or protecting itself from discriminatory dispatching.

E. UP's Failure to Honor Its Maintenance Obligations

1. UP's Failure to Remedy Slow Orders on the Polo Joint Line or Allow CPKC to Undertake the Repairs

67. Through its subsidiary, Dakota, Minnesota & Eastern Railroad Corporation ("DME"), CPKC is party to agreements with UP governing the operation of a line between Airline Junction in Kansas City and Polo, MO. The line is jointly owned by CPKC and UP from Airline Junction to Birmingham, MO, just south of NS's Voltz Yard. The separately owned UP and CPKC lines north of Birmingham are operated as paired track in conjunction with the track to Airline Junction. Except for the portion of the route at and south of the Truman Bridge, the line is double track. An overview of the route is shown below in Figure 7.

FIGURE 7
CPKC RIGHTS ON THE POLO LINE



68. This trackage is vital to CPKC's main-line operations going north from Kansas City to Chicago and the remainder of the northern portion of CPKC's network. It is likewise critical to CPKC traffic from points north of Kansas City to points south of Kansas City.

69. Contractually, maintenance of the Polo Joint Line is split into zones, with UP responsible for portions of both northbound and southbound trackage. Most of the trackage for which UP has maintenance responsibility is required by contract to be maintained to allow 60 mile-per-hour running speeds.

70. On May 19, 2025, CPKC informed UP that nine slow orders were causing 22 minutes of delay to trains operating over the 33.5 miles of UP-maintained trackage on the Joint

Line.[51] CPKC also noted that UP has had as many as nine to 15 slow orders in effect over this territory, resulting in ongoing operational delays and concerns.[52] As of the time of this filing, two of the slow orders have been in effect for over 150 and 220 days, respectively. By comparison, CPKC typically addresses slow orders on its track that are comparable to the UP slow orders within a few days to a couple of weeks. UP thus benefits from CPKC's prompt maintenance of its portion of the shared track, while refusing to adequately maintain its portion.

71. CPKC provided notice to UP that unless UP brought the slow-ordered trackage on the Joint Line was brought into compliance with the contractually mandated standards, CPKC would undertake the necessary repairs to restore the subject trackage to the required maintenance level. However, UP resisted CPKC's efforts to compel UP's contractual maintenance obligations. In response to CPKC's objection to UP's slow orders, some of which have persisted for over four months, UP offered platitudes rather than taking action, noting—unhelpfully—that "slow orders are a normal aspect of railroad operations," and that UP "remains committed to addressing them within a reasonable amount of time."[53] UP also rejected CPKC's offer to remedy the slow orders itself with the parties to share the cost per contract terms.[54]

72. While CPKC waits for UP to remedy the slow orders, CPKC continues to experience month after month the delays it has flagged to UP. Nevertheless, UP refuses to acknowledge or honor CPKC's right under the agreement to perform the maintenance of UP's track in the face of UP's failure to do so. The result is that the condition of a route vital to

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51 Letter from Tom Bourgonje to Russell Rohlfs (Sep. 4, 2026) (attached hereto as Exhibit 13).

52 *Id.*

53 Letter from Russell Rohlfs to Tom Bourgonje (Sep. 21, 2026) (attached hereto as Exhibit 14).

54 *Id.*

CPKC's main-line service remains dependent on UP's maintenance priorities, even when CPKC is willing to undertake the repairs.

2. UP's Failure to Perform Its Acknowledged Maintenance Obligations at Texarkana

73. In Texarkana, TX, UP has failed to respond for over two months to CPKC's requests to perform signal work at a key at-grade crossing of UP's Houston-St. Louis mainline with CPKC's Shreveport-Kansas City mainline that was essential to support the movement of CPKC trains.[55] UP's track crosses CPKC track pursuant to a 1902 agreement between the parties' predecessors. UP is the junior road at the location, meaning that CPKC's predecessor's track was already in place when the UP predecessor sought permission to cross it.

74. As is typical in agreements for rail crossings, the 1902 agreement placed on UP's predecessor, the "junior" road, responsibility to maintain an interlocking at the crossing to the satisfaction of the senior road (*i.e.*, CPKC's predecessor):

> 6th, That said party of the second part [*i.e.*, UP] will, at its own expense, immediately construct erect, maintain in good order, and perpetually operate an Interlocking and Derailling Machine of the latest and most improved character (subject to the approval of the party of the first part [i.e., CPKC], …) at the aforesaid crossing and will make such additions thereto from time to time, as the party of the first part may deem necessary.[56]

75. UP has ignored this "immediate" responsibility since being notified by CPKC in August 2026 of the need to upgrade its approach signal at the Kerr McGee interlocker in Texarkana to correspond to circuit work at CPKC's Jury siding. Indeed, UP has not progressed

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[55] Letter from Steve Simmons to Derek Hinds (Oct. 28, 2026) (attached hereto as Exhibit 15).

[56] Texarkana & Fort Smith Ry. & Texas & Pacific Ry. Agreement (June 2, 1902), cl. 6.

on the requested work beyond a preliminary estimate and referring CPKC to UP's interline group.

76. The result of UP's refusal is to make CPKC trains subject to the control of the UP dispatcher at the location. Consequently, CPKC trains sit in a siding for extended periods waiting for clearance from UP.

77. [redacted] However, it has not performed the work, taking the position that the agreement's requirement to act "immediately" does not specify a number of days or weeks for completion.

78. This example—just like UP's refusal to install AEI readers on the East St. Louis Terminal Subdivision—illustrates UP's practice of indefinitely delaying performance of its contractual obligations in scenarios where the relevant agreement does not set a specific date as the deadline.

F. UP's Increase in Detour Charges and Its Effect on Network Fluidity

79. Arrangements among railroads allowing the trains of one railroad to "detour" on the lines of another railroad when there is a blockage are a vital element supporting the resilience of the national rail system by allowing a carrier's most important trains to continue to operate via another carrier's track in the event that a hurricane, washout, or other disaster disables the first carrier's lines. Without this ability, the result would be gridlock and delayed or cancelled shipments.

80. Like all railroads UP and CPKC had in place a reciprocal detour agreement that supported detouring in these circumstances. In about 2020, however, UP apparently concluded that it has less need for detour rights than did CPKC (perhaps because of UP's own parallel

routes) and UP elected to quadruple its detour charges from about $25 per train mile to about $100 per train mile. Because detour rates are reciprocal, CPKC increased detour rates for UP trains in step with UP's increase. CPKC's detour rates for other carriers' trains are significantly lower.

81. UP's increase in detour charges effectively ended CPKC detours on UP by making them too costly, even assuming that UP was adequately staffed to provide pilots for another carrier's trains (which it often is not). This example illustrates a different limit on the practical availability of operating rights: access that becomes prohibitively costly cannot provide the operational protection on which CPKC would otherwise rely. Jim Vena, UP's Chief Executive Officer, recognized this point in recent comments in which he noted that: "If we allowed X railroad to run on our railroad for 800 miles, we would charge them a per car-mile charge that actually would make it more expensive for them to get to that destination."[57]

G. Other Representative Issues

82. ***Control of Interlocking at Clinton, IA.*** On August 16 and 17, 2026, UP unnecessarily blocked CPKC's mainline at the UP-controlled Clinton, IA interlocking. Had senior CPKC officers not intervened immediately, the blockage would have lasted several hours. Their intervention limited the blockage to approximately 90 minutes.

83. UP's track crosses CPKC's main line at Clinton. A short distance east of the crossing, UP's line crosses the Mississippi River on UP's bridge.

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[57] Trains.com, *Union Pacific blasts rival railroads' trackage rights requests*, FreightWaves (Sep. 18, 2026), available at https://www.freightwaves.com/news/union-pacific-blasts-rival-railroads-trackage-rights-requests.

84. On August 16, at about 1700 hours, a UP locomotive broke down near the bridge, blocking passage. UP advised CPKC that it would be delayed until the next morning, interchanging a coal train with CPKC. Yet, at about 2315 hours, UP pulled a train headed toward the bridge into the interlocking that controls the crossing of CPKC's line with UP's, and tied the train down for the night, shutting down CPKC's main line. The action was wholly unnecessary because there was nowhere for the UP train to go past the interlocking.

85. It took a midnight call from a senior CPKC executive to a senior UP operations leader to get the UP train moved back out of the interlocking that night. Otherwise, CPKC's mainline would have been closed at least until morning. CPKC should not have had to escalate the matter to avoid an hours-long blockage of its mainline. This incident illustrates that UP's control at a single crossing can disrupt service on CPKC's own line even beyond the routes where CPKC operates over UP track. The merger would place additional points of contact with CPKC's network under UP's control.

86. ***Interchange Practices at Westlake and West Lake Charles.*** For at least the last two years, and increasing dramatically in August 2026 and continuing through the preparation of this statement, UP's non-compliance with agreements and good operating practices has hampered CPKC's operations and hampered timely service to shippers in Westlake and West Lake Charles, LA. While CPKC routinely experiences UP's wasteful and inefficient non-compliance with agreed interchange practices, UP's recent behavior in Westlake and West Lake Charles has been particularly egregious.

87. The CPKC-UP joint facility agreements for Westlake and West Lake Charles provide two primary interchanges between UP and CPKC: the UP and CPKC jointly-owned Rosebluff Yard in West Lake Charles, south of the UP-BNSF main line, and the CPKC-owned

Conoco Yard in Westlake, north of the UP-BNSF main line. The interchange agreements specify which customers' traffic is to be interchanged in each yard.[58]

88. With increasing frequency, UP has failed to fulfill its agreed responsibilities to deliver prescribed customers' cars to specified yards. For example, recently, in an approximately three-week period, UP delivered nearly [redacted] cars per day to the wrong interchange yard—approximately 52% compliance with the interchange agreements. More than [redacted] of these cars should not have been delivered to CPKC at all.

89. UP's malfeasance imposed significant burdens on CPKC. CPKC was required to switch the cars to their correct locations, which consumed CPKC resources and delayed delivery to customers. Effectively, UP was shifting its own switching responsibilities and costs to CPKC.

90. When CPKC reminded UP of its obligations, UP countered—as usual, unhelpfully—that CPKC was taking too long in the interchange yard and not allowing UP into the yard soon enough. This response was neither a justification nor an excuse—it completely ignored what was going on here, namely that UP's mishandling of cars was saddling CPKC with the extra switching work in the yard, which took extra time. UP tried to blame its own delays on CPKC.

91. Taken together, these examples show how UP's control over shared infrastructure and connecting facilities can limit CPKC's ability to compete—notwithstanding existing contractual and regulatory protections intended to limit that control. I expect these risks to increase if UP acquires NS. UP would control more of the points on which CPKC depends and would have a greater incentive to favor its expanded single-line network over competing

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[58] *See* The Kansas City Southern Ry. & Southern Pacific Transportation Co. Agreement (Sep. 2, 1981, as amended Jan. 13, 1999) ("KCSR-SP Zone Switching Agreement"), art. I, ¶ B.

services. The demands of integrating the two networks and pursuing UP's planned capital projects could also defer work needed by CPKC, regardless of whether a particular delay is intended to disadvantage it. The 1997-1998 UP/SP service disruption in Houston illustrates the additional operational risks of integrating acquired infrastructure. CPKC's experience therefore warrants attention to both the broader control the merger would confer and the practical effectiveness of the protections governing that control.

IV. UP'S INCREASED CONTROL OF KEY RAILROAD TERMINALS THREATENS DEGRADATION OF INTERCHANGE ON WHICH THE NATIONAL NETWORK DEPENDS

92. A combined UP-NS would also gain the ability to undermine the effectiveness of key terminal railroads at the major Mid-Continent gateways upon which the efficiency of the U.S. rail network would continue to depend, but on which UP-NS would be less reliant. The efficient functioning of the Chicago, Kansas City and St. Louis gateways—and the role played by the terminal railroads at those gateways—offers vital support for the interconnected interline network that provides U.S. shippers with routing optionality. Through their combined ownership interests and other levers of influence, UP-NS would have the ability to thwart investments and other initiatives—and even hold up routine annual budgeting—at the Belt Railway of Chicago ("BRC"), the Indiana Harbor Belt Railroad ("IHB"), KCT, and the Terminal Railroad Association of St. Louis ("TRRA"). If wielded in a manner consistent with UP-NS's incentives, this ability would impede the ability of CPKC and other railroads to compete effectively.

93. UP's post-merger influence would enable it to drive the investment agenda, disinvest in facilities important to competition with UP single-line routes, and ultimately ensure that these entities did not support operations that were contrary to UP's own competitive interests. These changes might not emerge immediately or perhaps even in the first decade after UP acquired NS. But over time, the role played by these key terminal railroads would be

transformed to match the vision that UP would have for them rather than the role that they play today and would continue to play absent UP strengthening its hold on investments and other decision-making on the boards of these entities.

94. For reasons I will explain below, UP would have the power and incentive to achieve these aims whether or not the Board regarded the UP-NS transaction as giving UP formal legal "control" of any of these entities. While the story varies slightly with respect to each of these terminal railroads, all of them will be vital to railroads seeking to compete with UP-NS single-line services.

A. The Transaction Would Increase UP's Influence Over Joint Facilities Serving the Chicago Terminal

95. I begin in Chicago, which is by far the most important and most complicated of the Mid-Continent gateways. Applicants have touted their proposed merger's ability to reduce their usage of BRC's Clearing Yard, a vital facility that Mr. Redd describes in more detail in his Verified Statement.[59] Applicants' Operating Plan showed them routing trains across the Chicago Terminal via a route that largely bypasses Clearing Yard, with processing of manifest traffic (when it goes according to plan) shifted elsewhere.[60]

96. The path of Applicants' proposed new through trains, at least as of their Amended Application, is shown in Figure 8, bypassing Clearing Yard.

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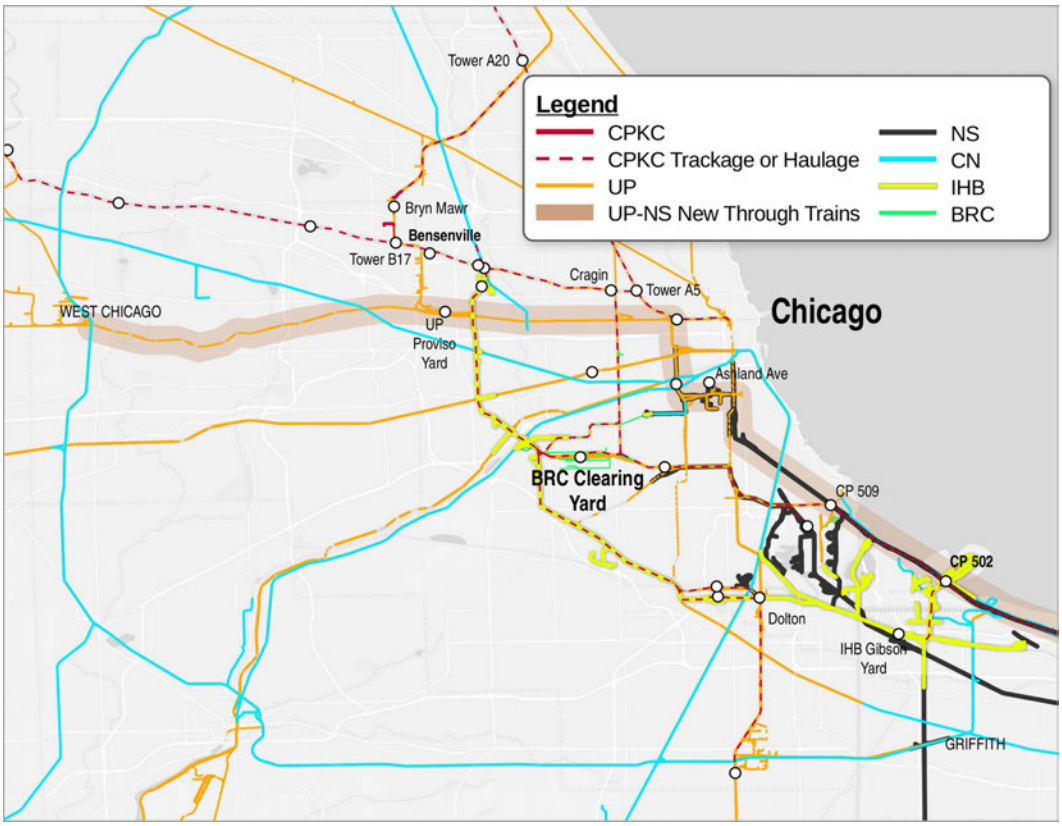
[59] Verified Statement of Mark Redd ¶¶ 60-72 ("Redd V.S.").

[60] Rev. App. 2-710 to -11 (Gehringer & Orr Second Errata V.S. ¶¶ 206-09).

FIGURE 8
APPLICANTS' PROPOSED ROUTING THROUGH CHICAGO,
PRIOR TO UP-CN DEAL FOR MORE UP SLOTS ON EJ&E



97. More recently, however, UP announced an agreement with CN whereby it would re-route some number of UP trains around Chicago via CN's Elgin, Joliet & Eastern ("EJ&E") bypass route. According to reports on that agreement, UP will receive a certain number of train slots initially and will be free to invest to add more if it wishes.[61] This agreement has repeatedly been described by UP as connected to the pending UP-NS merger. Regardless of whether it is

[61] *See* Press Release, CN, Union Pacific & CN Announce Agreement to Improve North American Rail Connectivity (July 22, 2026), https://www.cn.ca/en/news/2026/07/union-pacific-and-cn-announce-agreement-to-improve-north-america/ ("agreement provides Union Pacific with expanded operating rights over CN's Elgin, Joliet & Eastern Railway (EJ&E) corridor through Chicago"); *see also* Bill Stephens, *UP and CN chief executives detail their railroads' new agreements*, Trains (July 24, 2026), https://www.trains.com/pro/freight/class-i/up-and-cn-chief-executives-detail-their-railroads-new-agreements/ ("Any additional capacity required to accommodate UP volumes will be funded by them.").

deemed to be merger-related, it will certainly affect UP's need for alternative routes through Chicago—most importantly routes via BRC and IHB. As UP CEO Jim Vena explained in an interview with Trains Magazine: "As far as I'm concerned, [the CN Agreement] gave us everything that we need to be able to grow our business and move more seamlessly and have the best option to go around the City of Chicago."[62]

98. CN's portrayal of the EJ&E "Outer Belt" route around Chicago as the "fastest rail route in and around Chicago" is shown in Figure 9 below.[63]

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[62] Bill Stephens, *UP and CN chief executives detail their railroads' new agreements*, Trains (July 24, 2026), https://www.trains.com/pro/freight/class-i/up-and-cn-chief-executives-detail-their-railroads-new-agreements/.

[63] *See* CN, Accelerating Sustainable, Profitable Growth: Investor Day 2023 (May 2-3, 2023) at 3, available at https://experience.cn.ca/cn-ir-day-map/p/1.

FIGURE 9
CN MAP OF EJ&E BYPASS ROUTE TO WHICH UP RECEIVES ACCESS, SHOWING RELATIONSHIP TO IHB ROUTE



99. With these changed UP incentives, the influence over BRC and IHB that UP would gain through the proposed merger will not be consistent with these joint facilities serving their procompetitive purposes over the long run.

1. UP Would Gain Inordinate Influence over the Belt Railway of Chicago Even While Its Need for that Facility Would Diminish

100. BRC and its Clearing Yard are central components of the Chicago gateway. Clearing Yard is a crucial double-hump yard used by all of the Class I railroads to process some portion of the traffic flowing through Chicago. Clearing Yard receives approximately 25 or more inbound trains daily and assembles approximately 50 daily blocks for distribution to Class I carriers and smaller Chicago-area railroads, supporting efficient movements to destinations

beyond Chicago (for as far away as Upstate New York, North Carolina, Georgia, Tennessee, Arkansas, Oklahoma, Nebraska, Minnesota, and Washington State).[64] CPKC and other carriers depend on BRC for efficient interchange across the terminal to connect with the smaller carriers that serve the Chicago area.

101. Currently, NS owns 25% of the BRC and holds three of the 12 board seats while UP owns 8.33% and holds one board seat. By consolidating UP's and NS's ownership interests in BRC, Applicants would control outright four of the 12 votes on the BRC Board.[65] BRC's By-Laws require an [redacted][66] During 2025, there were [redacted] Four of twelve votes would not, by themselves, allow UP to block a decision requiring [redacted] But UP would need only [redacted] to withhold support to prevent approval. UP's expanded commercial relationship with CN, including their shared interest in the EJ&E bypass route, creates a material risk that their interests would align on decisions affecting investment in BRC. The merger would therefore materially increase UP's ability to block important BRC decisions with another owner's support. Accordingly, the governing rights do not provide the protections necessary to preserve competition in the wake of the Proposed Transaction.

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64 Redd V.S. ¶¶ 63-65 & Figure 3.

65 The Belt Ry. Company of Chicago Operating Agreement (Mar. 30, 1990), art. III, § 5.

66 By-Laws of The Belt Ry. of Chicago (as amended June 7, 1990), art. III, § 7.

[redacted]



[redacted]

102. The potential for UP, working with an ally, to downgrade the capabilities of BRC over the long run, and thereby disadvantage the means by which other railroads would compete with UP's single-line routes, is not far-fetched and should be of great concern to the Board. UP has described its long-term desire to send less traffic through the Chicago gateway, favoring other routes—for example, the UP-NS connection via Kansas City.[67] Applicants have indicated their intention to remove significant volumes of UP-NS manifest traffic from Clearing Yard.[68]

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[67] Rev. App. 1-231 (Vena V.S. ¶ 49); *id.* at 2-615, 2-695, 2-710 to -11 (Gehringer & Orr Second Errata V.S. ¶¶ 10, 187-88, 205-09).

[68] Rev. App. 2-710 to -11 (Gehringer & Orr Second Errata V.S. ¶¶ 206-09).

And UP has entered into an agreement with CN whereby it would gain expanded access to CN's EJ&E bypass route. I would expect that UP (along with CN) would seek to exercise its influence at BRC in a manner that is in UP's interest but not in the interest of a well-functioning Chicago gateway that serves the needs of others.

103. It is not hard to imagine any number of adverse scenarios playing out over time. UP along with CN would have the advantage of their shared EJ&E bypass route and may choose to resist spending at BRC that maintains the utility of BRC's other routes across Chicago, which in a post-merger scenario would primarily support other railroads serving Chicago. Or, because it serves no immediate benefit to UP while being a direct benefit to its competitors, UP will be incentivized to resist capital maintenance work on Clearing Yard, the result being that facility becomes less efficient, or less viable as a connection, over time. Or, pulling a favorite page from its interline playbook, UP could threaten to hold up key BRC projects until it got its way on some other issue, like directing BRC to favor UP's preferred blocking plan, scheduling of work performed at Clearing in a way that benefits UP, or any number of other issues.

104. If the Board does approve the merger, it should condition its approval on UP reducing its voting power on the BRC board of directors sufficiently so that no vote [redacted] can be voted down solely through the votes of UP directors, acting alone or together with those of any single other independent owner group. UP and the entities under its common control should be treated as one group, and each other owner's affiliated entities should likewise be aggregated. Before consummation, Applicants should obtain Board approval of implementing arrangements demonstrating that the test is satisfied under BRC's actual voting rules, including the applicable denominator and approval threshold and the treatment of quorum, abstentions, recusals, nonattendance, vacancies, proxies, and committee or

consent procedures. UP would not be required to reduce its equity interest in BRC or dilute its vote on matters [redacted] but with the proposed change UP would no longer have the ability—by itself or working with a single ally like CN—to hold up formal actions of the BRC board [redacted] As a result of losing that extraordinary leverage, UP would also relinquish, as it should, the leverage to demand (or prevent) changes in other BRC policies and practices without the assent of a broader group of BRC owners.

105. It may seem tempting to attempt to draw up a list of "do's and don'ts" that the Board could impose on UP to constrain its influence over BRC—akin to the Board's requirement when approving the Conrail transaction that IHB continue to be managed as a neutral switching carrier.[69] But that is not a tenable solution. The issues that may arise at BRC over the next century are too varied, and potentially too complex, to attempt to reduce to a checklist the strategies that UP is allowed to support or prohibited from pressing. Only a structural fix, in which those parties retaining a compelling interest in the proper and efficient functioning of BRC can remain as stewards of this vital asset without interference by UP, can hope to replicate today's industry structure. The same is true for the other terminal railways I discuss in this section.

2. The Transaction Would Transfer NS's Effective Veto at IHB into the Hands of UP

106. The story is somewhat different at IHB, but with the same ultimate conclusion: UP would acquire NS's ability to withhold concurrence for IHB decisions that require

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[69] *CSX Corp. – Control & Operating Leases/Agreements – Conrail Inc.* ("*CSX/NS/Conrail*"), 3 S.T.B. 196, 292 (1998).

concurrence under the governing arrangements and could over time reduce IHB's effectiveness at serving the other railroads that would need it more than UP.

107. IHB is a Class III railroad and the largest switch carrier in the United States, operating a network of 320 miles of track.[70] IHB's lines provide the sole alternative to EJ&E as a bypass for the central terminal area of Chicago, connecting CPKC and CN in the northwest corner of the terminal at Tower B12, crossing and connecting with all lines radiating from Chicago, and reconnecting with CSXT, CN and NS lines heading east of Chicago, as shown in Figure 11 below. CPKC's operations depend on the IHB route to reach eastern connections from CPKC's Bensenville Yard via Tower B12 to CSXT-owned track at Dolton. CPKC also uses IHB to move between NS at CP-502, an entry/exit to CPKC's Chicago-Detroit trackage rights on NS, and IHB's Gibson Yard.[71]

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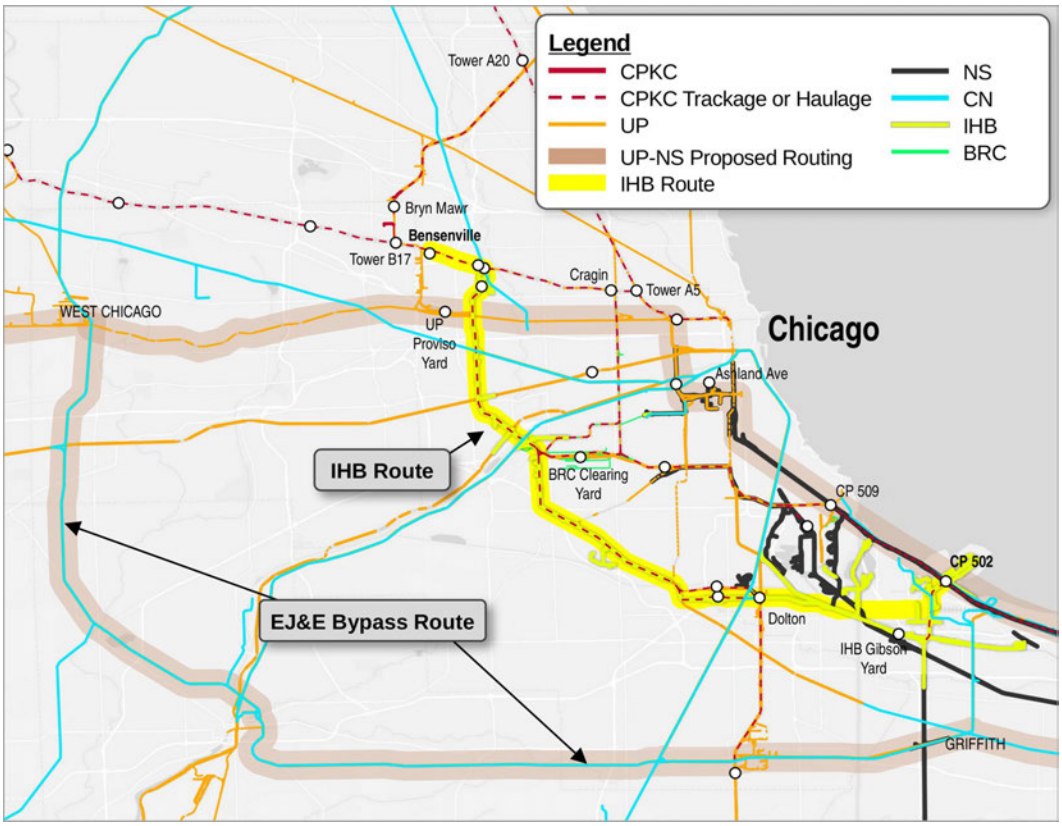
[70] *See* Indiana Harbor Belt R.R., *Connecting Industries, Empowering Growth*, https://ihbrr.com/ (last visited Oct. 26, 2026).

[71] *See generally* IHB-NS-Conrail-CP Interchange Agreement (July 15, 2005).

FIGURE 11
IHB ROUTE AND CONNECTIONS AS AN ALTERNATIVE TO EJ&E



108. IHB's Gibson Yard is a key interchange point for automotive traffic, enabling all six Class Is to consolidate those shipments of finished autos efficiently for onward movement via the route to destination chosen by the customer.

109. IHB's governance structure has an interesting history. CPKC owns 49% of the shares of IHB, with 50.99%—which conveys outright control—held by Conrail (and the remaining 0.01% designated as Director's Shares).[72] When NS and CSXT split Conrail in 1998, they structured the transaction to preserve Conrail's control of IHB and agreed that they would agree among themselves as to how to vote the Conrail shares rather than splitting those votes

[72] *See* Rev. App. at 1-164; *see also* By Laws of the Indiana Harbor Belt R.R. Co. (1999), at 20.

between them.[73] As a result, NS and CSXT jointly exercise Conrail's voting interests. For matters requiring NS concurrence, NS can withhold its assent to Conrail voting its shares in favor of the action, which gives NS an effective veto over those matters.[74] Where approval requires that favorable Conrail vote, CPKC's support cannot by itself secure approval.

110. The way this process works in CPKC's experience is set forth in Table 3 below. Basically, because an affirmative Conrail vote requires consensus of NS and CSXT, if NS (or CSXT) is against a measure, then it will be turned down even when the other two railroads are in favor.

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[73] *CSX/NS/Conrail*, 3 S.T.B. at 292.

[74] I understand that the agreement between CSXT and NS on Conrail's IHB interests provides a dispute resolution mechanism. *See* Agreement Relating to the Contractual Rights & Ownership Interest of Consolidated Rail Corporation With Respect to the Indiana Harbor Belt R.R. (Aug. 2, 1998) § 6. Under that agreement, if CSXT and NS directors disagree, the parties are required to negotiate for 30 days to resolve the disagreement. If no agreement is reached, the matter is submitted to binding arbitration. This mechanism does not resolve NS's effective veto for two reasons. First, if NS, or UP standing in NS's shoes, prevails at arbitration, its position still controls. Second, the slow-moving and open-ended arbitration process provides NS, or UP-NS, with, in practice, a pocket veto. Not only must the 30 day negotiation period run before arbitration can begin, but if the parties do not agree on an arbitrator, another 30 days must run before one is designated. The agreement sets no deadline for an ultimate resolution. Accordingly, even where NS could not ultimately block an action, it could frustrate the action through delay.

TABLE 3
HOW IHB DECISIONS ARE MADE

Row	CPKC Position/Vote	NS Position	CSXT Position	Conrail Vote	Resulting IHB Outcome
1	✓	✓	✓	✓	✓
2	✓	✗	✓	✗	✗
3	✓	✓	✗	✗	✗
4	✓	✗	✗	✗	✗
5	✗	✓	✓	✓	✓
6	✗	✗	✓	✗	✗
7	✗	✓	✗	✗	✗
8	✗	✗	✗	✗	✗

IHB acts only in Rows 1 and 5, when NS and CSXT both vote ✓.
CPKC's 49% vote does not change the outcome.

111. As can be seen in Table 3 above, the only way for IHB to promptly and reliably obtain shareholder or board of directors approval to act on matters requiring that approval is *for NS to agree* to that course of action. Even if CSXT and CPKC agree, the matter would not go forward because NS's disapproval would effectively mean a negative vote of the Conrail shares.

112. As a practical matter, then, how CPKC votes—despite our 49%—is irrelevant to outcomes at IHB, and similarly, how CSXT votes is likewise irrelevant in situations where CSXT is supportive of IHB taking some action, but NS is not.

113. This approach may make some sense in today's environment, where both CSXT and NS are motivated to support IHB providing efficient and neutral connections with western carriers at Chicago. The proposed UP-NS transaction, however, would transfer NS's interest in Conrail's IHB shares to UP, and UP would not have the same interest in IHB providing effective

and neutral connection between eastern carriers like CSXT and western carriers like BNSF and CPKC.

114. Fundamentally, the problem relates to scenarios that would fall into Row 2 above, where CPKC and CSXT agree about the right path forward for IHB to support efficient interchange and customer access via the Chicago gateway, and where NS previously would have shared the same interest, but where post-merger NS's vote (now in the hands of UP) flips and that change prevents the concurrence needed for IHB approval. In Row 2, if the UP-NS merger flips an NS vote from "yes" to "no," that would change IHB's course regardless of the consensus of CPKC and CSXT to the contrary, blocking the initiative in question. Table 4 below depicts that scenario.

TABLE 4
IMPACT OF MERGER ON NS POSITION AUTOMATICALLY CHANGES IHB COURSE OF ACTION

Row	CPKC Position/Vote	NS Position	CSXT Position	Conrail Vote	Resulting IHB Outcome
1 Before Merger	✓	✓	✓	✓	✓
		↓		↓	↓
2 After Merger (NS incentives change)	✓	✗	✓	✗	✗

115. Consider some scenarios that could well play out at IHB over time. Over the decades following the UP-NS merger, UP may deprioritize spending on capital projects supporting the IHB bypass route, meaning that IHB's utility would deteriorate over time while UP uses its leverage to pull traffic to its alternative route through Chicago. Under IHB's governance structure, CPKC and CSXT would not have the tools to force IHB to make

investments needed to maintain this route's effectiveness. UP would not care because of its alternative pathways through or around Chicago, or bypassing it entirely via other gateways.

116. Alternatively (or in addition), UP may conclude that it has less need for an efficient clearing house for interline automotive traffic moving via Chicago, which UP may perceive as helping its rivals more than it helps the UP single-line network. As a result, UP either pushes for the downgrading of IHB's Gibson Yard, which serves that function today for all carriers in Chicago, or simply deprioritizes the ongoing investment needed to make Gibson perform its role effectively. Again, CPKC and CSXT could not force a different result despite accounting for nearly two-thirds of IHB's equity ownership. The kinds of mischief that UP could engage in because of its effective control over IHB are nearly infinite.

117. I understand that the Board imposed a condition in its approval of the Conrail split requiring that IHB "continue to be managed as a neutral switching carrier."[75] But it is not clear to me that this obligation necessarily would clearly be enforceable against UP in a context where UP was claiming that it supported IHB's "neutral" handling of traffic but that some investment needed to make IHB better (or keep it from deteriorating) was not among UP's top investment priorities.

118. The only way I see to overcome this problem would be to prevent UP from obtaining NS's effective veto position with respect to IHB or to constrain UP's exercise of the governance rights acquired through NS. Accordingly, if the Board concludes that it will authorize UP control of NS, it should either:

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[75] *CSX/NS/Conrail*, 3 S.T.B. at 292.

- (a) Require that UP, prior to acquiring control of NS, enter into and implement a binding agreement with CSXT separating the exercise of the CSXT and NS interests in Conrail's ownership of IHB so that the shareholder votes and board votes reflecting those interests can be made separately from one another without the need for alignment between CSXT and NS; or
- (b) Alternatively, impose a condition on its approval requiring UP to vote in favor of a proposed IHB action affirmatively supported by a majority in number of the other independent owner groups, and against a proposed action affirmatively opposed by that majority. A majority should be counted by owner group, without weighing ownership percentages or board seats, with each commonly controlled group counted once and Conrail and other intermediate entities not counted separately. Currently, that means both CPKC and CSXT must support, or both must affirmatively oppose, the same proposal to trigger the condition. If they disagree, or either abstains or states no position, this alternative supplies no voting direction. Applicants should exercise the direct and indirect votes, consents, and other governance rights within their control, including through Conrail and their designated representatives, to give effect to a required direction.

119. Both alternatives would prevent UP from blocking an IHB action supported by CPKC and CSXT, but they would operate differently. Splitting the Conrail interests would permit CSXT and UP to cast the associated shareholder and board votes independently. The alternative voting condition would retain the existing Conrail structure and constrain UP's vote when CPKC and CSXT agree. Both alternatives would address the Row 2 concern; their broader effects would depend on the selected alternative and the implementing voting rules. Before

consummation, Applicants should obtain Board approval of implementing arrangements demonstrating that the selected alternative works under the IHB rules.

120. Neither of these conditions, however, would provide a complete solution for the impact of the changed incentives associated with UP control of NS. It is easy to imagine alternative scenarios where, instead of UP resisting action by IHB, UP favors that action in circumstances where pre-merger NS would not have done so, and for reasons relating to further consolidation or other factors, CSXT agrees with that course of action. Imagine, for example, that as a result of the merger, UP desires to shutter the Gibson facility, and CSXT does as well following a hypothetical merger with BNSF. Neither governance alternative would necessarily prevent that result under the applicable voting rules, even if CPKC sought to preserve that capability. The separate access, shared facility, and service protections would therefore remain necessary. A decision blocking the merger likely is the only practical way to prevent an evolution of the rail network away from supporting interline optionality at the major Mid-Continent gateways.

121. The governance changes should preserve the existing compensation framework for CPKC's existing use of IHB track. Compensation for any additional authorized service or facilities should be addressed in the corresponding access arrangements on reasonable and nondiscriminatory terms.

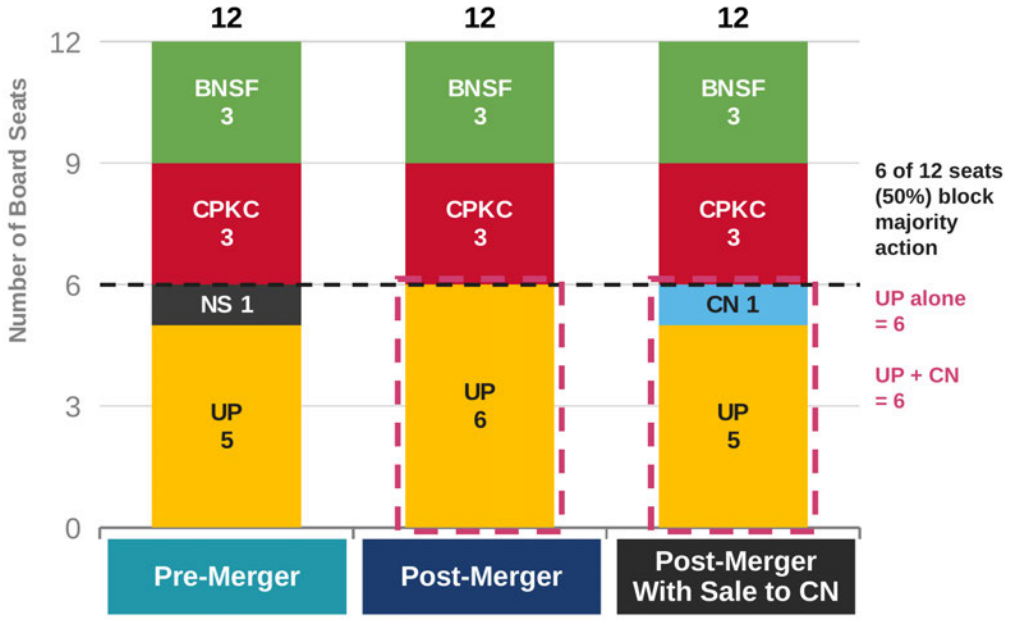
B. The Transaction Would Enable UP to Control Kansas City Terminal Railway, with Adverse Public-Interest Consequences

122. Currently, UP holds five out of 12 KCT board seats, with BNSF and CPKC holding three each, and NS holding one. Under that structure, and because of the fourth independent owner, no owner can block majority action without the agreement of another

independent owner.[76] The Proposed Transaction would give UP 50 percent ownership of KCT and control of six out of 12 board seats. UP's six board votes would allow it to prevent majority approval when all twelve directors participate, even if every other owner supported the proposed action. Its 50 percent shareholder interest would likewise permit it to block matters requiring approval by more than half of the shareholder [redacted] Those positions would confer substantial negative control. UP could also wield its increased position indirectly to force its will upon other KCT practices. For example, UP could withhold approval for a critical infrastructure project until KCT agreed to revise its dispatching protocols or operating rules in a manner that UP believed would better support its planned operations, regardless of the impacts on other railroads serving the Kansas City Terminal.

[76] *See* Applicants' First Submission in Response to Decision No. 21 (UP-68/NS-66) (filed July 7, 2026) at Supp. 2-41.

FIGURE 12
KCT OWNERSHIP BEFORE AND AFTER UP-NS MERGER



123. With six votes post-merger instead of five today, UP will be in a far stronger position to block approval of KCT initiatives that CPKC and others need to maintain the efficient functioning of parts of the Kansas City Terminal that UP will not care about, or will care less about. UP's incentives will be to wield that control in a manner that undermines competition rather than supporting a well-functioning terminal for all users. UP's unilateral denial of CPKC and BNSF access to the Incline Track as part of a KCT route is a good example.

124. UP has proposed to transfer the KCT shares held by NS to CN in the event CN is given access to Kansas City via the acquisition of rights over UP between St. Louis and Kansas City (or a divestiture of UP's line between those points). CPKC does not think CN's entry into Kansas City would serve the public interest, but even if CN received the Kansas City access rights it seeks, its acquisition of NS's shares in KCT would not solve the problem the UP-NS merger would create for KCT governance.

125. If CN enters Kansas City using UP lines, yard facilities, and haulage, those dependencies and the carriers' overlapping operating interests would create a material risk of coordinated positions on KCT matters. Acting together, UP and CN could block majority action, although their combined votes would not, by themselves, authorize affirmative action. Areas of likely alignment are real. To cite just one example, UP and CN would both depend on favorable dispatching by KCT of the critical interlockings between Airline Junction and KCS Junction, shown on the map set forth in Mr. Redd's Verified Statement (as Figure 5).[77] That segment is vital for all CPKC trains serving Kansas City, but also for CN and UP. CN would enter and exit Neff Yard across Southwest Junction, dispatched by KCT, while UP's new post-merger flows would traverse the entire Airline Junction-KCS Junction segment dispatched by KCT. UP and CN would thus have incentives to work together to exert leverage over KCT to adopt ostensible "non-discriminatory" approaches to dispatching in this area that nevertheless ensure favorable performance for UP (or UP and CN) trains but do not necessarily support CPKC operations through the area.

126. Applicants' reliance on KCT's General Manager to conduct day-to-day operations does not answer the concern that their combined ownership could enable them to block investments requiring board approval. KCT's bylaws require [redacted][78] Applicants themselves acknowledge that KCT's governance documents contain no mechanism for resolving shareholder

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[77] Redd V.S. ¶¶ 109-12.

[78] Bylaws of the Kansas City Terminal Ry. Amended & Restated Bylaws (Mar. 14, 1995, as updated Mar. 9, 2017), §§ 6.1, 6.3.

or board deadlocks and that, "[i]n general, a deadlock would mean a continuation of the status quo."[79] That consequence is precisely the concern: preserving the status quo can prevent capacity improvements or other investments needed to maintain an efficient and competitive gateway as traffic and operating requirements change. That ability of one or symbiotically-related parties to freeze progress can be used by UP as leverage to achieve its goals at the expense of KCT's other owners. Unless effective divestiture or other enforceable governance protections remove that blocking power, management's responsibility for daily operations provides no assurance that those investments can obtain the necessary approval.

127. Accordingly, if the Board does approve the merger, it should condition its approval on a governance remedy that constrains UP's ability to interfere with KCT's functioning. Such a governance remedy could take one of two forms depending on whether Applicants divest shares to a new independent railroad-owner group.

a. If Applicants divest KCT shares to a new independent railroad-owner group outside KCT's pre-merger ownership group, including CN, the Board should require that no matter put to a vote can be voted up or down solely by the votes of (i) UP alone or (ii) UP together with any single other independent railroad-owner group. The restriction should apply to every such group, not only the transferee. A transfer to CN would present the particular risk of aligned voting described above because CN would depend on UP's lines, yards, and haulage for its Kansas City operations.

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[79] *See* UP-68/NS-66 at Supp. 2-42.

b. If Applicants do not divest KCT shares to a new independent railroad-owner group, including if they transfer shares to an existing independent owner such as CPKC or BNSF, the Board should require Applicants to reduce or restrict UP's voting power so that UP alone cannot force or block any KCT action. For example, the Board could condition the merger on UP securing changes in KCT's governance structure such that four board votes and one-third of shareholder voting power were allocated to each of combined UP-NS, CPKC, and BNSF, with approval and quorum rules that prevent UP from acting or blocking action alone. That allocation could change governance rights without requiring CPKC or BNSF to acquire additional equity or altering the owners' economic rights and obligations, unless the Board orders otherwise.

With the applicable restriction, UP could not force or block KCT action alone or, where shares are divested to a new independent owner group, together with any single other owner group. Removing that prohibited voting power would also remove the leverage it supplies to demand or resist changes in KCT policies and practices without the broader owner support required by the condition.

128. Before consummation, Applicants should obtain Board approval of, secure the necessary agreements for, and put into effect implementing arrangements satisfying this restriction. Those arrangements should specify shareholder, board, and committee voting rights, voting denominators and approval thresholds, and the treatment of quorum, abstentions, nonattendance, vacancies, written consents, and commonly controlled entities, and demonstrate how the applicable restriction operates under each ordinary or special voting rule. Any later transfer or governance change that could weaken or defeat the applicable restriction should

require prior Board approval and continued compliance with the branch governing the resulting ownership structure.

C. The Transaction Would Increase UP's Influence over TRRA and the St. Louis Terminal

129. The St. Louis gateway is an important connection point for traffic moving among eastern, western, and Canadian railroads. The Terminal Railroad Association of St. Louis ("TRRA") is an intermediate switching terminal railroad in the St. Louis area connecting to all six Class I carriers. Efficient operations using TRRA facilities are necessary for CPKC and other carriers to interchange traffic and reach their own lines and connecting carriers. Thus, like all Class Is, CPKC depends on efficient operations in St. Louis including over TRRA trackage.

130. The transaction would give UP formal control of TRRA, and it is clear that a solution to that control is required. Applicants concede that combining UP's and NS's interests would give the merged UP control of TRRA, the intermediate switching terminal railroad in St. Louis that serves all six Class I carriers.[80] Applicants have thus offered several possible arrangements to resolve the concerns over their control of TRRA.[81] None of these arrangements, standing alone, provides the enforceable governance and operating protections needed to prevent UP from abusing its enlarged position to impair competing service through its governance power within TRRA. Even if UP reduces its power over TRRA on paper, UP's 100 percent ownership of Alton & Southern gives it ample ability to subtly but meaningfully tilt access to shippers in the St. Louis/East St. Louis area in favor of the merged UP network.

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[80] Rev. App. 1-77.

[81] *See* UP-68/NS-66 at Supp. 2-13.

131. From CPKC's perspective, the solution should not involve transferring NS's interest in TRRA to CN since that outcome would simply mean that UP and CN could exert joint control over TRRA. Again, as explained above with KCT, the potential for alignment between UP and CN is great, especially in light of the rights UP proposes to transfer to CN over UP's line between St. Louis and Kansas City and over UP's line between Tuscola and East St. Louis. There is every reason to expect that CN's proposed rights on UP track east and west of St. Louis would give UP and CN parallel interests with respect to many matters relating to TRRA and the St. Louis terminal.

132. The merger would also shift St. Louis switching away from TRRA and onto UP-controlled facilities.[82] Under Applicants' Operating Plan, eastbound UP-NS manifest traffic that the UP-owned Alton & Southern ("A&S") now hands to TRRA for blocking would instead be blocked at A&S's Gateway Yard, and intermediate manifest switching now performed at NS's Luther Yard would also move to Gateway Yard.[83] Simultaneously, Applicants plan to run longer trains, including by increasing train lengths of legacy NS trains.[84] Already, CPKC experiences delays due to over-length trains moving between the A&S and UP at Valley Junction and over TRRA track. Since June 2025, those delays have caused approximately 16 recrews on CPKC trains. This will only increase when UP folds NS traffic into its own. This makes TRRA even more important to parties other than the Applicants.

133. In this context, CPKC urges the Board, if it decides to approve the merger, to condition its approval on UP reducing its voting power at TRRA sufficiently such that no matter

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82 Rev. App. 2-712 (Gehringer & Orr Second Errata V.S. ¶¶ 211-12).

83 *Id.*

84 *Id.* at 2-801 (Gehringer & Orr Second Errata V.S. ¶ 420).

put to a vote can be voted up or down solely by the votes of (a) UP alone or (b) UP together with any single other independent owner group, whether Applicants retain NS's interest or divest it to CN or another party. With that change, neither UP alone nor UP working together with any single other independent owner group, including CN if the shares were divested, would be able to force actions by TRRA or have an effective veto over such actions, and, equally important, UP would not have the leverage that came with that power to demand or resist implementation of other TRRA policies and practices without the assent of a broader group of TRRA owners.

134. Before consummation, Applicants should obtain Board approval of, secure the necessary agreements for, and put into effect implementing arrangements satisfying this restriction. Those arrangements should specify shareholder, board, and committee voting rights, voting denominators and approval thresholds, and the treatment of quorum, abstentions, nonattendance, vacancies, written consents, and commonly controlled entities, and demonstrate how the restriction operates under each ordinary or special voting rule. Any later transfer, amendment, or other arrangement that would weaken or defeat the restriction should require prior Board approval and demonstrated continued compliance.

V. TO PROTECT AND ENHANCE COMPETITION AGAINST A MERGED UP, CPKC'S RIGHTS ON UP/NS TRACK MUST BE AMENDED, AND EFFECTIVE ENFORCEMENT MECHANISMS MUST BE IMPOSED

135. In this Section, I discuss proposed conditions that are needed to safeguard CPKC's existing rights to compete using UP and NS trackage, as well as to prevent UP-NS from exploiting limitations on CPKC's rights to strengthen UP-NS's own market position at the expense of competition and rail customers. Appendices A through I catalog the specific contractual changes and new contractual provisions, as applicable, that are necessary to implement these concepts. The changes and terms described in Appendices A through I are

necessary to make the conditions proposed in this Section operative but it is incumbent on the combined UP-NS to execute all changes and obtain all assents necessary to effectuate the Board-ordered relief.

A. The Board Should Impose Changes to Terms of UP-CPKC and NS-CPKC Trackage Rights to Preserve and Strengthen CPKC's Existing Rights

1. Revisions to Existing Rights Between Robstown and Beaumont

136. CPKC proposes revisions to its existing rights between Robstown and Beaumont so that those rights can support an effective competitive service after a UP-NS merger and also to address the inevitable harm to competition coming from the increased size of a combined UP-NS and the resulting increased leverage against shippers.[85] The revisions should address the limitations and enforcement problems revealed by CPKC's experience under the existing arrangements.

(a.) Preserve Bi-Directional Rights if UP Ends Directional Running

137. CPKC currently participates in directional operation over UP's parallel Houston and Beaumont Subdivisions, using the Beaumont Subdivision eastbound and the Houston Subdivision westbound rather than relying on bidirectional operation over the predominantly single-track Beaumont route alone. CPKC's existing Houston Subdivision rights are operationally important, but they are not permanent and could be threatened by changes to or discontinuance of directional running. The Houston-Beaumont agreement currently conditions CPKC's Houston Subdivision rights on continued directional operation between Houston and

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[85] *See* MP/SP-Tex Mex Terms; HBT-Tex Mex Terms; SP-Tex Mex Houston-Beaumont Trackage Rights Agreement; Rosenberg Line Trackage Rights Agreement; Ex. A to Supplement to the Rosenberg Line Trackage Rights Agreement (Feb. 12, 2009).

Beaumont.[86] By discontinuing directional running, UP could in theory terminate CPKC's right to operate over UP's Houston Subdivision, forcing all of CPKC's trains to operate bidirectionally on UP's Beaumont Subdivision. Due to the spacing and length of sidings on the predominantly single-track Beaumont Subdivision, CPKC's operations would be severely disrupted if they were forced to switch to bidirectional operation on the Beaumont Subdivision.

138. CPKC's existing Houston Subdivision rights should be made permanent and should not depend on a continuation of UP's use of a directional running scheme. If UP ends or modifies directional running so that equivalent, efficient, and commercially effective CPKC access is no longer preserved, CPKC should have permanent bidirectional rights over the Houston Subdivision between Houston and Beaumont.[87] This protection would prevent a UP operating decision from eliminating the practical route on which CPKC's competitive service depends. With permanent CPKC rights on both the Houston and Beaumont Subdivisions, UP would no longer have the power to disrupt CPKC's service to its customers and potential customers or threaten to impose an arbitrary increase in compensation as the price of continued operations there.[88] In short, this condition protects the competitive status quo against UP's manipulation of trackage rights against competitor tenants.

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[86] *See* SP-Tex Mex Houston-Beaumont Trackage Rights Agreement (June 16, 1997, as assigned to KCS effective Jan. 1, 2006), Recital D, § 2(a), (c), §§ 6-7.

[87] *See* SP-Tex Mex Houston-Beaumont Trackage Rights Agreement (June 16, 1997, as assigned to KCS effective Jan. 1, 2006), § 2(a); § 6.

[88] In addition, by removing the risk that UP might seek to kick CPKC off of the Houston Subdivision, such a condition also would avoid the complex issues associated with the need for CPKC to recapture investment in improvements on the Houston Subdivision it had made over the past nearly 40 years through the trackage rights fees it has paid UP.

(b.) Reform Capital-Investment and Capacity-Expansion Provisions

139. The capital-investment and capacity-expansion provisions should be revised so that necessary projects can be identified, evaluated, and implemented on defined schedules.[89] To begin with, this necessitates CPKC being able to participate in UP's 5-year capital planning process for those capital projects that UP contends are for the mutual benefit of all users of the joint trackage. CPKC should be able to propose projects for the mutual benefit of the users as well as projects for CPKC's sole benefit, including the timing thereof. UP should not be able to defeat the competitive value of the rights by unreasonably delaying or withholding approval for the capacity work that is needed to support them. UP has repeatedly demonstrated its willingness and ability to do just that, as described in Section III of this Verified Statement. This modification of capital-investment and capacity-expansion provisions is important for CPKC customers and potential customers because competition delayed is competition denied. CPKC's ability to construct capital investments needed for competition removes the threat of that delay.

(c.) Incorporate the Service-Assurance Framework

140. Performance between Robstown and Beaumont should be governed by the Service-Assurance Framework, described in Section VII below, including objective corridor-specific measures, regular reporting to the Board, and prearranged remedies should UP's service falter. As explained below, this would partially remedy harm from the Transaction and increase competition.

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[89] MP/SP-Tex Mex Terms, § 5; SP-Tex Mex Houston-Beaumont Trackage Rights Agreement, § 4(a)-(b).

(d.) Provide Springing Dispatching Relief for Persistent Service Failures

141. If UP persistently fails to meet the applicable service standards, set by the Board through the process in Section VII, dispatching responsibility should shift to CPKC as an essential springing remedy for the following track segments: (i) Cuero Subdivision from Victoria (approximate MP 27.02) to South Placedo (approximate MP 15.17); (ii) the south end of the Angleton Subdivision from Placedo (approximate MP 224.07) to Bloomington Yard (approximate MP 221.0); and (iii) the portion of the Brownsville Subdivision from Bloomington Yard (approximate MP 221.0) to Tex Mex Junction (approximate MP 141.43).

142. Once the applicable activation requirements are satisfied, each preauthorized transfer should become effective on CPKC's written notice to UP and to the Board identifying the applicable trigger, supporting records, and commencement date. Applicants' objection should not suspend the transfer absent a Board stay. The transfer should remain effective unless affirmatively stayed, modified, or suspended by the Board; improved performance or expiration of a measurement, cure, review, or oversight period should not automatically return dispatching to Applicants.

(e.) Compensation Provided by Existing Agreements

143. Compensation for the revised rights should retain the existing compensation framework applicable to CPKC's South Texas trackage rights, including the rate basis and escalation formula. Applicants should not be permitted to use the merger or implementation of these conditions to reprice those rights, replace that formula, or circumvent this protection through additional charges. To the extent implementation requires the Board to address compensation, the Board should impose terms no less favorable to CPKC than the existing framework, including the adjustments that framework already prescribes.

2. Revisions to Existing Rights Between Chicago and Detroit

144. CPKC proposes revisions to its existing rights between Chicago and Detroit so that those rights can support an effective competitive service after a UP-NS merger and also to address UP's increased post-merger ability and incentive to impair the Chicago end of CPKC's MTRA route.

145. CPKC's existing Chicago-Detroit trackage and operating rights, including the connections necessary to use them, should be protected permanently against termination, suspension, nonrenewal, narrowing, or material impairment, subject to modification by the Board. Those protections should bind Applicants and their successors and remain effective after formal merger oversight ends. Effective service standards must be accompanied by protection of the underlying rights so that CPKC can continue to use the route and develop the competing services contemplated by these conditions.

(a.) Confirm the Right to Enter and Exit at CP 502

146. CPKC's current operations use two different points of connection in the Chicago area with its rights on NS between Chicago and Detroit: Train 137 operates through CP 502 to Gibson Yard for automotive interchange, as-needed Train 731 also uses CP 502, and Trains 230/231 and 730 use CP 509. Both connections are indispensable to CPKC's effective use of its Chicago-Detroit rights, yet CPKC had to battle NS in arbitration to preserve its right to access the trackage rights via CP 502. CPKC is concerned that UP will have even stronger incentives to try to end this access or end CPKC's rights altogether. CPKC's ability to carry finished automotive traffic (currently, from Canada) between Detroit and Gibson Yard is indispensable to its ability to provide efficient transportation of that commodity. If CPKC cannot operate between Gibson Yard and points east (i.e., Detroit) because it lacks a connection via CP 502,

CPKC's ability to compete would be radically diminished. Restricting that connection could force CPKC onto a circuitous and inefficient route through the Chicago terminal, impair automotive interchange at Gibson Yard, and otherwise reduce the reliability and practical value of CPKC's through service, while increasing terminal congestion by increasing the number of miles CPKC traffic would have to travel to reach Gibson Yard. Therefore, the conditions should confirm CPKC's right to enter and exit at CP 502 as well as CPKC's right to continue to operate over NS track, via CP 502, to reach Gibson Yard and CP 509.

(b.) Incorporate the Service-Assurance Framework

147. UP's obligations to support CPKC's performance between Chicago and Detroit should be governed by the Service-Assurance Framework set forth in Section VII, below. Persistent failures should result in springing transfer of dispatching authority to restore reliable service promptly. If the applicable standards set by the Board through the process in Section VII are not met during that cure period, CPKC should be entitled to activate the corresponding preauthorized remedy by notice under the Framework. Once activated, the transfer of dispatching authority would last until the end of the MTRA's contractual term, including any extensions. As explained above, this would partially remedy harm from the UP-NS transaction and increase competition.

(c.) Compensation Should Be as Provided in the Existing Agreements

148. Compensation for the revised Chicago-Detroit rights should remain as provided in the existing agreements because the distance of the trackage rights remains the same.[90] In addition, the penalty provision that effectively [redacted] were CPKC ever to gain

[90] *See, e.g.*, Michigan Trackage Rights Agreement (June 2, 2005), as amended, § 1.

access to automotive traffic to/from Southeastern Michigan should be stricken as contrary to the enhanced competition required to offset the many harms of the merger.

3. Revisions to the UP-CPKC Techny Line Agreement, Which Provides CPKC with Its Principal Route Between Chicago and Points North

149. CPKC's use of the Techny Line allows it to avoid much more frequent use of high-density commuter and Amtrak routes. CPKC uses UP's "Techny Line" to connect Bensenville Yard with its core route toward Milwaukee and the Twin Cities, including for 90% of CPKC traffic moving between points north of Chicago and CPKC's Bensenville Yard. [redacted][91] As a result, UP could terminate CPKC's use of the Techny Line on one year's notice any time [redacted] The Agreement should be modified to remove that vulnerability by making CPKC's protected rights permanent, subject to modification by the Board.

150. CPKC's use of the Techny Line is advantageous to Chicago area traffic because CPKC's only alternative route would impose added burdens on the operation of others and the terminal. Without rights on the Techny Line, CPKC would need to operate between Bensenville and Tower A20 via Tower A5, across CPKC's C&M Subdivision north of A5 and CPKC's Elgin Subdivision west of A5. Both of these lines are heavily used by passenger operations (west of A5 by 60-plus daily weekday Metra trains on its MD-W and NCS lines, and north of A5 by 54-plus daily weekday Metra trains on its MD-N line and 16 daily weekday Amtrak trains). In addition, CPKC's trains operating between Milwaukee and BRC's Clearing Yard would not be

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[91] *See* Techny Line Agreement (Mar. 9, 1977; effective Jan. 1, 1977), as amended, including the Feb. 2, 1981 escalation letter, § 17.1–17.2.

able to make a progressive connection with the BRC if they run via Tower A5 (as UP removed that connection via Mayfair and Cragin Junction years ago). Instead those trains would have to operate into Bensenville Yard and then reverse toward Cragin, magnifying the potential interference with passenger and freight operations. Therefore, routing more CPKC trains over the C&M and Elgin Subdivisions—as would occur if CPKC could no longer use the Techny Line—would lead either to more conflicts between freight and passenger trains or more delays to freight trains. The Techny Line is not used by commuter trains and avoids these conflicts.

151. UP's dispatching of the Techny Line can cause problems for Metra and Amtrak operations when UP's dispatchers do not admit southbound CPKC trains onto the Techny Line at Tower A20 promptly. When CPKC's trains need to wait for clearance north of A20, they can block or delay the movement of passenger trains; indeed, this precise source of delays has been a routine source of concern on the part of Metra. UP also sometimes holds CPKC trains on the Techny Line, making what should be a transit of around 40 minutes northbound or around 51 minutes southbound take as much as five hours northbound or six hours southbound. Obviously prolonged transit times can affect train crews' availability under the hours of service laws.

152. The UP-CPKC Techny Line Agreement should therefore also be revised to preserve CPKC's practical access to and capacity on the Techny Line at no less than a representative pre-merger baseline level of service performance and to prohibit UP from terminating, restricting, narrowing, or materially impairing those rights.

153. UP's obligations to support CPKC's Techny Line rights should be governed by the Service-Assurance Framework described in Section VII below. Persistent failures should result in CPKC obtaining dispatching authority over the Techny Line to restore reliable service promptly. If the performance standard set by the Board through the process in Section VII is not

met during a 30 day cure period, CPKC should be entitled to activate the preauthorized transfer by notice under the Framework.

154. Ordinary compensation for use of the Techny Line should continue to be governed by the existing agreements.

4. Polo Line

155. As described above, under the Airline Junction-Polo paired-track arrangement, UP and CPKC use parallel tracks between Airline Junction and Polo as an integrated operating corridor.[92] CPKC operates today over the UP-owned portion of the paired trackage. UP's acquisition of NS thus risks creating new incentives to terminate or disrupt the Polo Line agreement. For example, the merger would give UP a greater incentive to prioritize routes and resources supporting the combined UP-NS network over the paired trackage that is essential to CPKC's competing service.

156. The threatened harm is not limited to formal termination. UP could preserve the agreement nominally while altering dispatching, predominant train flows, the use of crossovers between paired tracks, maintenance practices, operating rules, or train priorities in ways that reduce the arrangement's practical capacity or reliability for CPKC.

157. The Polo Line Agreements[93] should be modified to prohibit UP from terminating, suspending, declining to renew, narrowing, or materially impairing the Polo Line agreement or CPKC's existing rights under the paired-track arrangement by giving them a term of 999 years.

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92 *See* Polo-Birmingham Trackage Rights Agreement (Aug. 1, 1931, as amended by Supplemental Agreements 1945, 1995, 1999), art. II, §§ 1, 3, 4, art. V, § 1.

93 *See* Polo-Birmingham Trackage Rights Agreement, art. I, § 1, art. VI (Aug. 1, 1931, as amended by Supplemental Agreements 1945, 1995, 1999).

The agreement should also be modified to protect CPKC's authority to operate over the UP-owned portion of the paired trackage between Airline Junction and Polo, together with the connections, crossovers, and incidental operating authority necessary to use the paired lines as an efficient and coordinated corridor. These protections should continue throughout that term notwithstanding any later separation of UP and NS, unless modified by Board order, and should bind any successor, affiliate, lessee, or other entity through which Applicants own, dispatch, maintain, or operate the affected trackage. The Polo Line paired-track agreement and its related operating and dispatching arrangements should be amended or supplemented as necessary to preserve those rights beyond any contractual expiration and give effect to these protections.

158. The Polo Line paired-track arrangement should also be governed by the Service-Assurance Framework, as described in Section VII below.

B. The Board Should Remove Paper-Barrier-Like Restrictions that Would Impede CPKC's Ability to Compete Effectively With Post-Merger UP

159. Many of CPKC's rights to operate on UP or NS track are already constrained by paper-barrier-like restrictions that would prevent competition with the merged UP.

160. CPKC recognizes that all of these dependencies on UP and NS, or limitations imposed on CPKC's competition with UP or NS, are conditions that predate the proposed UP-NS merger. However, such limitations were not created or agreed to in the context of a merger that brings nearly half of U.S. rail freight under the control of a single carrier. The creation of such a behemoth fundamentally alters the competitive landscape of the North American freight network, with consequences and trickle-down effects that will upend and undermine the core expectations and assumptions that previously guided interline partnerships and connections. As I explain below, the merger would fundamentally change post-merger UP's incentives to wield this control to hold back CPKC competition with the merged entity.

1. Restrictions on CPKC's Beaumont-Robstown Trackage Rights.

(a.) Existing Restrictions Would Impair CPKC Competition with UP

161. In South Texas, CPKC's use of its trackage rights on UP is generally conditioned on a prior or subsequent movement over the Tex Mex Laredo-Robstown-Corpus Christi Line, with an exception for traffic originating or terminating at shipper facilities on the Rosenberg Line Sale Portion and additional restrictions on connecting-line and transload traffic:

> …all traffic transported pursuant to such rights **must have a prior or subsequent movement on Tex Mex's Laredo-Robstown-Corpus Christi Line** or must have originated or terminated at shipper facilities located on the Rosenberg Line Sale Portion. However, traffic originating or terminating at locations on lines connecting to the Rosenberg Line Sale Portion or to/from transload facilities on the Rosenberg Line Sale Portion may not be transported over the Joint Trackage pursuant to the rights granted. [94]

162. This limitation is significant. For example, although CPKC has access to shippers in Houston served by the Port Terminal Railway Association ("PTRA"), the qualifying-haul restriction prevents CPKC from using those rights to handle traffic between Houston and the Southeastern United States, the Upper Midwest, and Canada.[95] Removing that restriction would permit CPKC to use the route without linking each movement to prior or subsequent haul on the Laredo-Corpus Christi line. This would greatly benefit CPKC customers and potential customers by creating new competition to offset UP's increased market dominance of shippers and by opening up new business development opportunities, particularly in South Texas.

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[94] MP/SP-Tex Mex Terms, § 2(b) (emphasis added); *see also* Rosenberg Line Trackage Rights Agreement, § 2(b).

[95] *See* MP/SP-Tex Mex Terms, § 2(b); *see also* Rosenberg Line Trackage Rights Agreement, § 2(b).

163. Likewise, the restrictions impede CPKC's ability to develop traffic on its own line between Victoria and Rosenberg by prohibiting transportation over the Joint Trackage of traffic moving to or from transload facilities on the Rosenberg Line Sale Portion or locations on connecting lines and build-ins or build-outs:

> …all traffic transported pursuant to such rights must have a prior or subsequent movement on Tex Mex's Laredo-Robstown-Corpus Christi Line or **must have originated or terminated at shipper facilities located on the Rosenberg Line Sale Portion. However, traffic originating or terminating at locations on lines connecting to the Rosenberg Line Sale Portion or to/from transload facilities on the Rosenberg Line Sale Portion may not be transported over the Joint Trackage pursuant to the rights granted.** [96]

164. This restriction has been a real barrier to CPKC playing a more robust competitive role in this region. The bar against CPKC's handling of traffic from any transload facility on CPKC's Rosenberg Subdivision to points north has killed the economics of multiple transload proposals and other opportunities brought to CPKC to support business growth between Victoria and Rosenberg.

165. Further, the restriction against CPKC serving any customer whose facilities are not directly adjacent to CPKC's Rosenberg Subdivision has prevented CPKC from working with customers that are captive to UP [redacted]

166. The UP-NS merger would make the above paper-barrier restrictions far more consequential. Although these restrictions were negotiated with a UP whose network ended at

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[96] MP/SP-Tex Mex Terms, § 2(b) (emphasis added); *see also* Rosenberg Line Trackage Rights Agreement, § 2(b) (emphasis added).

the Mississippi River, after the merger they would apply to dealings with a UP capturing both the western and eastern revenues on traffic it diverts from interline routes, thereby increasing UP's incentive to enforce the prior-or-subsequent-haul condition and Rosenberg Line restrictions to keep Houston and Gulf Coast traffic off CPKC routes to the Southeast, the Upper Midwest, and Canada. At the same time, the merger would eliminate NS as an independent eastern connection for that traffic, making CPKC's competitive role vital. Essentially, the merger would transform the existing restrictions into more potent instruments of foreclosure.

167. The Board should condition any approval of the UP-NS merger on removing the restrictions reflected in the bolded language in the quotations following paragraphs 161 and 163 above.

(b.) Provide Reciprocal Switching Access and Authority to Transport the Resulting Traffic Under Existing Rights

168. The Board should condition the transaction on UP providing CPKC with reciprocal switching access to eligible existing and future UP sole-served facilities within the Bloomington and Corpus Christi switching zones described below.[97] To effectuate that access, the Board should condition the transaction on revisions to CPKC's trackage rights agreements to allow CPKC to use the rights to serve local customers. Without local access, the rights would not allow CPKC to offer a complete competitive alternative to customers located along the route, leaving the expanded UP with leverage to force bundling of competitive traffic with traffic that UP controls. The reciprocal switching access would greatly benefit CPKC customers and potential customers against the increased leverage a merged UP would have due to the number of

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[97] *See* MP/SP-Tex Mex Terms, § 2(a)(i)-(vi), (g)-(h); *see also* Rosenberg Line Trackage Rights Agreement, §2(a)(i)-(vi) .

shipper facilities that would become captive to the much-expanded UP. UP would perform the customer switching and interchange the traffic with CPKC for onward transportation. This customer-access remedy should be implemented together with removal of the prior-or-subsequent-haul and related restrictions that would otherwise prevent CPKC from handling the covered traffic under its existing operating rights. Mr. Redd's Verified Statement provides more details about this.[98]

169. Accordingly, the Board should modify CPKC trackage rights agreements to remove any restrictions that prevent CPKC from using its existing trackage and operating rights between Robstown and Beaumont to transport covered customer traffic received or delivered through reciprocal switching. CPKC should be permitted to transport that traffic over the Robstown-Victoria and Rosenberg-Beaumont trackage-rights lines and the related HBT and Houston Terminal trackage included under its existing rights. CPKC's rights should include the right to pickup, setout, interchange, and perform any incidental operations necessary to receive and deliver blocks of reciprocally-switched railcars at designated interchange points.

170. CPKC's access to PTRA-served facilities also requires reliable terminal service and protection against changes that would eliminate that access. If the PTRA Agreement[99] terminates, PTRA ceases operations, or any facility served by PTRA comes to be served by UP, HBT, or another UP-NS entity, UP should be required to grant to KCSR trackage, haulage, or reciprocal-switching rights sufficient to reach the PTRA-served facilities KCSR could reach

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98 *See* Redd V.S. ¶¶ 167-80, 184-90.

99 *See, e.g.*, PTRA Operating Agreement (2016), Attachment A, Port Terminal Railroad Association Agreement (June 30, 1924, as amended).

through PTRA immediately before the relevant event, on terms no less favorable than those in effect under the PTRA Agreement.

2. Restrictions on CPKC's Chicago-Detroit Trackage Rights on NS

171. CPKC's trackage rights on NS between Chicago and Detroit contain similar paper-barrier-like restrictions.[100]

(a.) Existing Restrictions Would Impair CPKC Competition with UP

172. The Soo-Line-Norfolk Southern Michigan Trackage Rights Agreement ("MTRA") restricts CPKC's use of its trackage rights between [redacted] [101]

173. There also is a special prohibition against CPKC using the rights to [redacted] including a penalty provision that nearly [redacted] in the event CPKC ever gains the right to handle such traffic on the trackage rights without NS's consent:

[redacted]

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100 *See* Michigan Trackage Rights Agreement (June 2, 2005) §§ 2(e), 3(a)-(e).

101 *See* Michigan Trackage Rights Agreement (June 2, 2005) § 3(d) ("SOO shall not interchange any traffic with any other carrier at any point [redacted]

[redacted][102]

174. As a result, CPKC cannot compete for traffic opportunities for which its network would be particularly well-suited, including finished auto traffic moving between Detroit and Dallas and between Detroit and Mexico.

(b.) UP-NS Merger Would Change NS Incentives and Make CPKC Competition More Imperative

175. The Proposed Transaction similarly transforms the incentives surrounding existing paper barrier restrictions on NS trackage just as it does with those imposed by UP. Today, those restrictions protect NS's eastern franchise. After the merger, the same restrictions would protect the single-line UP-NS franchise between Detroit and the West, Texas, and Mexico—precisely the markets in which CPKC's network is best positioned to compete. The merged carrier would thus have a greater incentive to enforce the interchange and automotive restrictions, and CPKC competition on this route would become correspondingly more important.

(c.) Remove Commodity Restrictions

176. The Board should remove the MTRA's prohibition on CPKC handling [redacted] as well as the penalty provision that would increase the trackage rights charge for such traffic if the prohibition were modified. Doing so would greatly benefit CPKC customers and

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[102] Michigan Trackage Rights Agreement § 3(i); § 5(b) (emphasis added).

potential customers by fostering a competitive alternative between Detroit and Texas and Mexico.

(d.) Allow Interchange with Conrail and Ann Arbor Railroad

177. The revised rights should permit CPKC [redacted] and to use Applicants' trackage as necessary to facilitate [redacted] and require NS to support those interchanges. As CPKC's operating witness Mr. Redd explains, Oakwood Yard is the planned interchange point for Conrail and Ann Arbor traffic.[103] For Ann Arbor traffic, the preferred arrangement would use Ann Arbor's Toledo-Milan service and NS haulage between Milan and Oakwood in CPKC's account, with CPKC receiving and delivering the traffic at Oakwood Yard. Direct CPKC pickup and setout at Milan would remain an alternative, subject to operationally appropriate arrangements to avoid interference with through operations. Applicants should provide the haulage, interchange, connection, and incidental operating authority and procure the assents needed to implement the selected arrangement.[104]

178. This would greatly benefit CPKC customers and potential customers because it would provide greater competition, particularly for auto customers, to the south and west of Detroit, including to Mexico.

(e.) Allow Access to a CPKC-Served Intermodal, Automotive, or Transload Facility

179. The revised rights should permit CPKC to originate and terminate local traffic at future CPKC-served facilities in southeast Michigan connected to the trackage-rights route,

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103 *See* Redd V.S. ¶¶ 258-61 & Figure 32.

104 *See* Redd V.S. ¶¶ 259-60.

including intermodal, automotive, or transload facilities, whether or not CPKC owns or funds them or they are immediately adjacent to the route.[105] Through-trains could perform pickups and setouts at the facility, supplemented by local service, if necessary. This would provide CPKC the potential to grow to serve shippers' growing needs. The rights should include the connections and incidental operating authority necessary to provide that service. Any particular facility or construction project would remain subject to applicable approvals.

180. This would greatly benefit CPKC customers and potential customers by enabling CPKC to create and offer new services.

3. The Board Should Remove the "NS Traffic" Exclusivity on the Meridian Speedway

181. CPKC's contractual arrangements with NS relating to the Meridian Speedway limit the competitive role that CPKC can play on that key route. The MSLLC agreements granted NS [redacted] to so-called "NS Traffic," a defined category of specified intermodal traffic moving via the Speedway between points in the United States west of Dallas-Ft. Worth and points in the United States at or east of Meridian, including qualifying through traffic that does not require a Wylie lift or drop, subject to the governing agreements' definitions and exclusions.[106] NS can partner with either UP (via Shreveport) or BNSF (via Dallas-Ft. Worth), but CPKC is not allowed to participate in this traffic at all except as the provider of haulage services to NS. For that defined traffic, CPKC cannot form part of an interline route connecting BNSF with CSXT via Dallas and Myrtlewood, and it cannot grant

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105 *See* Michigan Trackage Rights Agreement, §§ 2(e)(iii); § 3(b)-(c), (e), (k).

106 *See* NSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended), §§1 (b), 2(b), 4(a)-(b); *see also* KCSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended), §§ 1(b), 2(d)(i)-(ii), 4(a)-(c).

either BNSF or CSXT haulage rights allowing them to connect directly. Although NS has thus far chosen UP as its primary western interline partner for NS traffic, the UP-NS merger would further entrench that choice and diminish BNSF and CSXT customers' prospects of accessing and benefiting from this premium route.

182. After the merger, NS's traffic exclusivity would pass to UP, the carrier with which NS already partners exclusively for that traffic. The combined UP-NS would thus hold a contractual gatekeeping right over premium intermodal traffic on a route CPKC operates. Removal of that exclusivity and the associated consent restrictions, together with provision of the operating and governance approvals needed to implement the relief, would allow CPKC to develop competing interline intermodal service over the Speedway with BNSF and CSXT (or provide haulage for either carrier's account), while preserving NS's underlying rights to continue availing itself of CPKC-provided haulage services between Shreveport and Meridian in support of its own transcontinental intermodal service using the Speedway, but in the future on a *nonexclusive* basis.

183. To make this relief effective, Applicants should be required to amend or waive provisions of the Speedway agreements that would prevent CPKC from developing and providing the authorized competing service, and to provide or procure the necessary approvals and consents. Specifically, the Speedway agreements should be amended to (i) carve intermodal traffic that CPKC transports for its own account in interline service with BNSF or CSXT, or hauls for the account of BNSF or CSXT, out of the "NS Traffic" definitions and [redacted] and sole-discretion consent rights, as well as any anti-rebilling

restriction that would bar the authorized service.[107] The agreements should also (ii) include that traffic within "KCSR Permitted Traffic" and permit CPKC to handle it in either carrier's account and grant either carrier haulage rights over the Speedway, with conforming changes to the "Third Party Traffic" restrictions and MSLLC's retained-rights provisions.[108] Finally, Applicants should be required to consent to, approve, and execute the amendments and provide or procure all operating and governance approvals needed for both forms of service, including approvals for service that does not satisfy the third-party-access standards under the applicable Speedway Agreements.[109] The implementing changes should give CPKC the traffic and service authority needed to exercise that opportunity without Applicants' discretionary commercial veto. They should preserve CPKC's existing traffic and service rights, including its Myrtlewood traffic rights and associated protections, and preserve Applicants' underlying transportation rights on their existing terms except as modified by the nonexclusive access condition. Removing exclusivity should not enlarge NS's contingent trackage rights or reinstate a volume guarantee that has otherwise terminated.

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[107] Relevant provisions include: NSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended), §§1 (b), 4(a), 4(b)(ii), 4(c); KCSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended), §§ 1(b), 4(c)(ii), (d); LLC Agreement of Meridian Speedway, LLC (May 1, 2006), Definitions ("NS Traffic").

[108] Relevant provisions include: KCSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended), §§ 1(b), 2(c)(iii), (d)(i)-(ii), 4(a), (b)(i), (c)(i); NSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended), § 4(b)(i)-(ii).

[109] Relevant amendment and approval provisions include: LLC Agreement of Meridian Speedway, LLC (May 1, 2006), Definitions ("Major Decisions," cls. (i), (xxi), (xxiii)), §§ 5.6, 8.1, Ex. A; *see also* NSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended), § 7(n)(iii); KCSR-Meridian Speedway LLC Joint Use Agreement (May 1, 2006, as amended), § 7(n)(iii).

4. The Board Should Prohibit UP From Enforcing Paper-Barrier Restrictions on CPKC's Service to Shippers Near Rosemount and Fairmont, MN

184. ***Rosemount, MN.*** Rosemount is southeast of the Twin Cities. At the Roseport Industrial Park near Rosemount, Section 13 of the 1968 Trackage Agreement imposes a paper-barrier restricting CPKC's handling of shipments to or from Roseport shippers based on geography and direction. In particular, CPKC cannot handle shipments between Roseport and [redacted] CPKC is allowed to handle traffic only to or from [redacted][110] This restriction has limited CPKC's opportunities to provide transportation services to important customers in the industrial park—including [redacted] because CPKC is not permitted to support their demand for rail transportation to legacy-KCS territory (*i.e.*, states [redacted][111] The Board should prohibit UP from enforcing these restrictions so that the direction or geographic origin or destination of a

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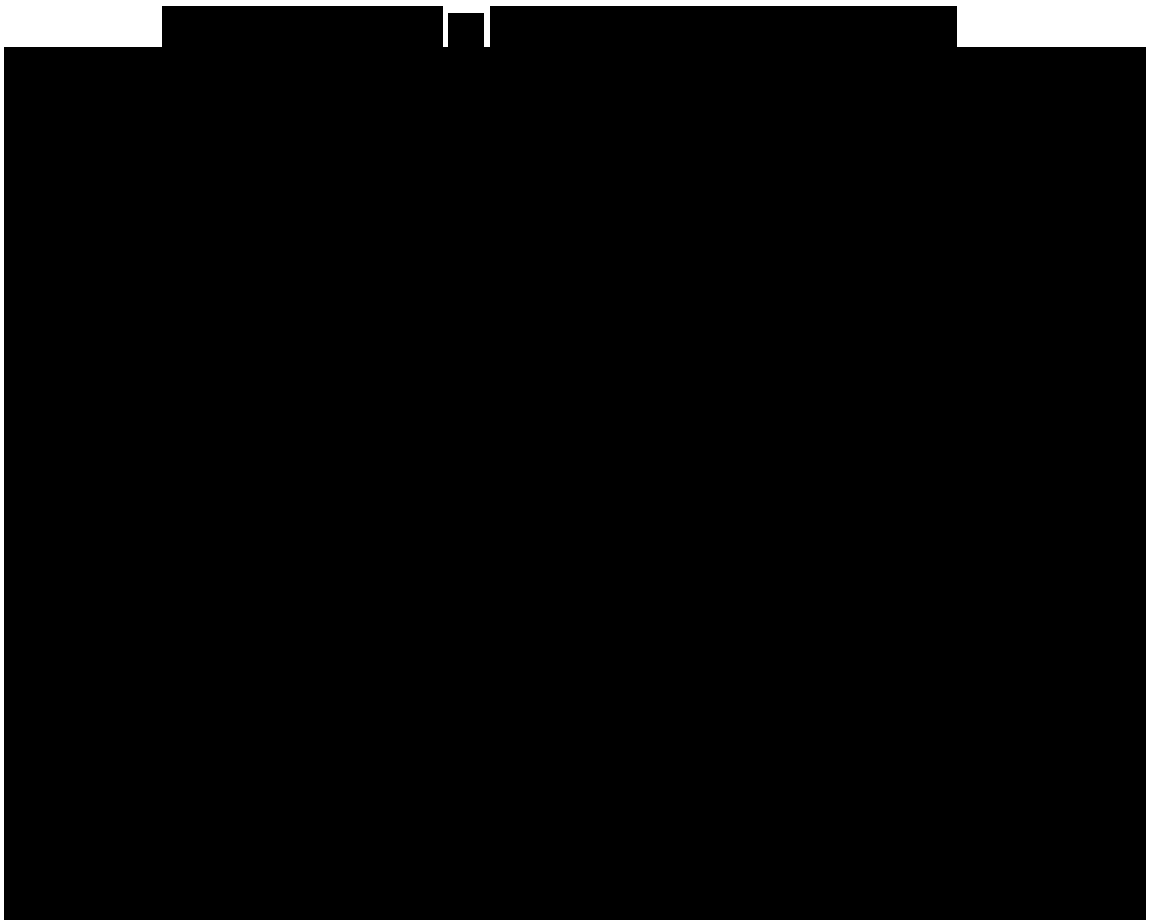
110 [redacted] Roseport Trackage Agreement, § 13.

111 *See* Brooks V.S. ¶ 233.

movement does not prevent CPKC from serving an otherwise eligible Roseport customer under its existing arrangements.

[redacted]



[redacted]

185. ***Fairmont, MN.*** Between Fairmont and Welcome, MN, CPKC operated over a short stretch of trackage rights on UP. CPKC's predecessor (Milwaukee Road) once had its own line here, but in 1974 Milwaukee and UP's predecessor (CNW) entered into a line rationalization project that resulted in Milwaukee's line being removed and Milwaukee receiving operating rights on CNW. Scroll forward, and there are now several important customers adjacent to the shared trackage that, because of a restriction inserted in the agreement in 1974, UP can serve but

CPKC cannot. Those customers—including [redacted] would like to do business with CPKC, but § 5.1 of the April 1, 1974 agreement [redacted][112] Paragraphs (a) and (b) prohibit [redacted] paragraph (d) separately prohibits [redacted][113] The Board should make those restrictions, and any overlapping provision, unenforceable to the extent necessary for CPKC to provide local service to shipper facilities on the Fairmont-Welcome line. UP should not be permitted to treat CPKC's service to such customers as a default or a ground for terminating CPKC's trackage rights.

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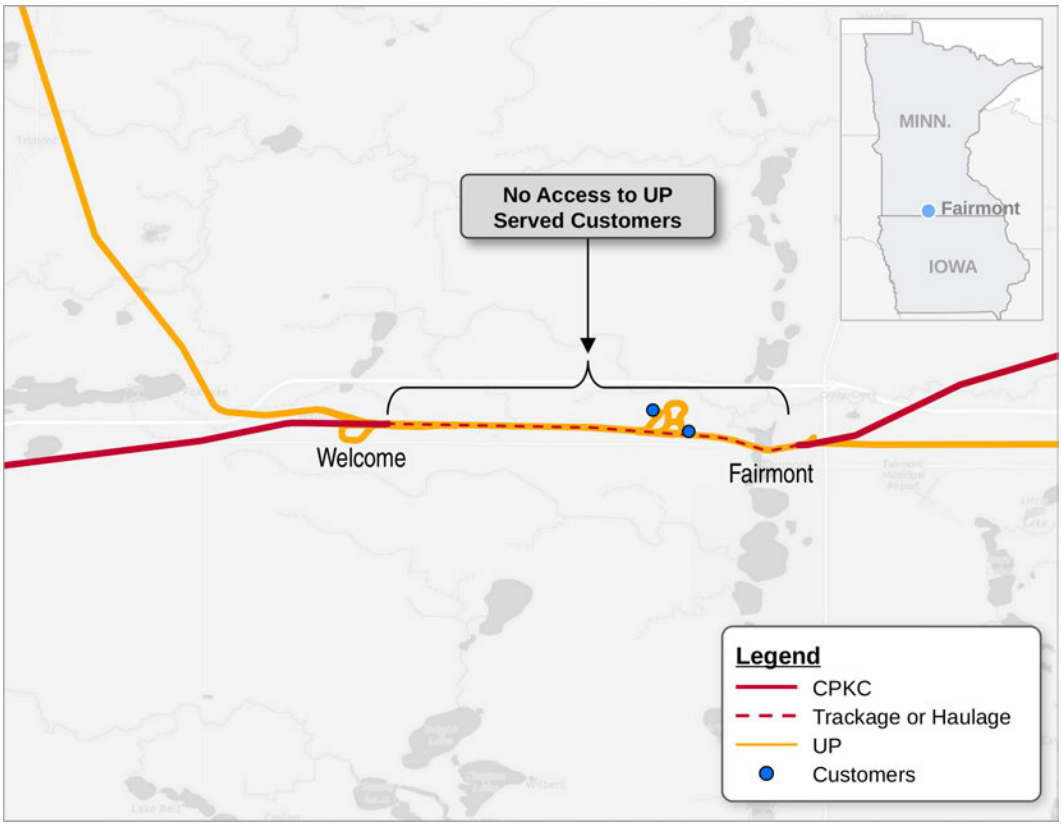
[112] *See* Chicago & Nw. Transp. Co. & Chicago, Milwaukee, St. Paul & Pacific R.R. Agreement, § 5.1; *see also* Brooks V.S. ¶ 235.

[113] [redacted]
Chicago & Nw. Transp. Co. & Chicago, Milwaukee, St. Paul & Pacific R.R. Agreement § 5.1(a)-(b), (d).

FIGURE 14: SERVICE OF CUSTOMERS NEAR FAIRMONT, MN



186. These Minnesota restrictions, like those described above, illustrate the degree to which UP and NS already hamstring CPKC's ability to compete. The Board should require Applicants to refrain from enforcing these limitations that restrict CPKC's ability to compete for customers it could otherwise serve along these segments of track.

C. Terms for New Rights that the Board Should Grant in the Event it Approves the UP-NS Merger

1. New Rights Between East St. Louis, IL and Mexico, MO

187. CPKC seeks new rights between Mexico, MO, and East St. Louis, IL. The requested route would use NS trackage from Mexico toward St. Louis and connecting TRRA trackage across the Mississippi River to reach CSXT and CPKC trackage in East St. Louis. This would greatly benefit CPKC customers and potential customers because it would save

approximately 47.8 miles on CPKC's current Mexico-East St. Louis route,[114] while making CPKC services and routings available to General Motors at Wentzville as well as to other customers.

(a.) Trackage Rights on NS from Mexico to St. Louis (May Street)

188. The Board should grant CPKC overhead trackage rights over NS's Midwest Division, Kansas City District, and St. Louis Terminal Subdivision from the CPKC-NS connection at Mexico, MO (approximately NS Milepost S 110.2) over approximately 105 miles of NS main line to the NS-TRRA connection at May Street Interlock (approximately NS Milepost S 5.2) in St. Louis. CPKC should also receive the authority to serve—either through reciprocal switching with NS or through direct access, at CPKC's election—current and future customer facilities on, adjacent to, or served via that line, including General Motors at Wentzville, and the yard, switching, staging, interchange, and other incidental rights necessary to provide operationally effective service.

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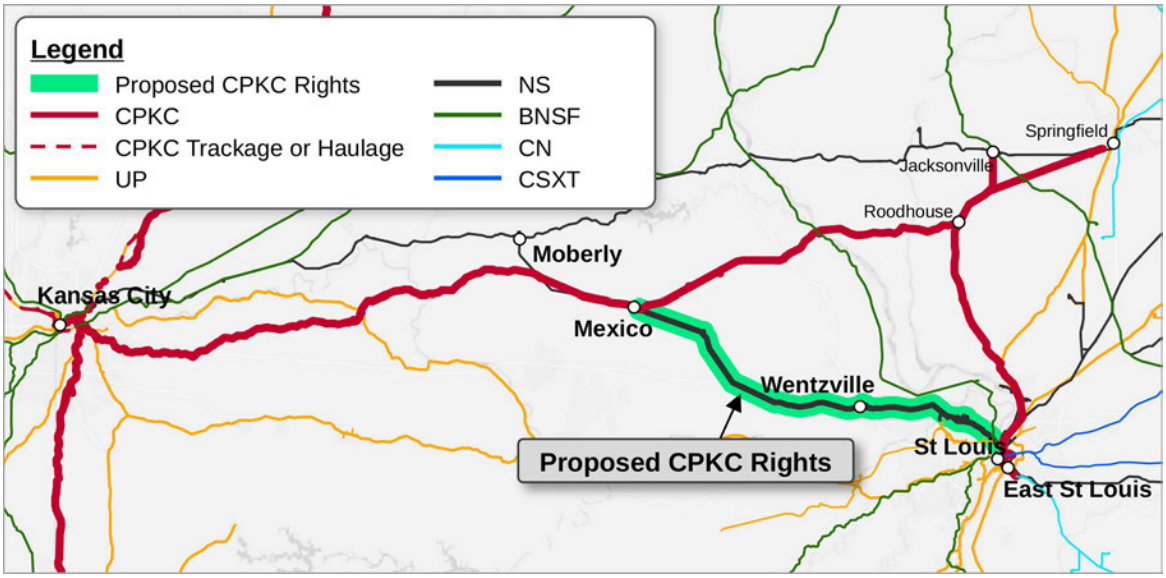
[114] *See* Gameiro Workpaper – Mileage Difference for Mexico-East St. Louis Routes.

FIGURE 15
PROPOSED CPKC RIGHTS ON NS FROM MEXICO TO ST. LOUIS



189. Initially, CPKC proposes that its requested access to shipper facilities located between Mexico, MO and St. Louis occur via reciprocal switching service provided by NS via NS's local serving yards at St. Louis (Luther Yard) and Wentzville, MO. CPKC would use UP-NS's reciprocal switching services at Wentzville for customers between Mexico and Wentzville and at Luther Yard for customers between Wentzville and St. Louis, with CPKC trains receiving and delivering assembled blocks. Although CPKC anticipates initially using reciprocal switching services, CPKC should also receive the authority to serve eligible facilities directly, at CPKC's election, to the extent traffic volumes would support such service.

190. To effectuate these rights, CPKC and UP-NS would enter into new Mexico-St. Louis trackage-rights and operating agreements (along with any agreements necessary to address access to Luther Yard, trackage or switching operations at Wentzville, or any other related facility or interchange arrangements). UP-NS should also amend or waive inconsistent restrictions in existing instruments, as well as procure all required third-party assents.

191. Compensation for the requested NS trackage rights and reciprocal switching services should be established through negotiated agreements or, if necessary, terms prescribed by the Board, using customary trackage-rights and terminal compensation principles. CPKC would propose applying the same trackage rights fee that is negotiated for the Michigan Trackage Rights Agreement, as discussed in greater detail in CPKC's Chicago-Detroit Responsive Application.[115] If a negotiated agreement is not reached within 90 days, the decision on compensation should be left with the Board as set forth in the Service-Assurance Framework discussed below in Section VII.

(b.) Close-the-Gap Rights on TRRA Across the Mississippi River

192. CPKC also seeks terminal trackage rights over the TRRA to cross the Mississippi River and connect the NS route with CSXT and CPKC trackage in East St. Louis. Those rights should close any gap between the new NS rights and the trackage over which CPKC already operates.

193. CPKC requests overhead trackage and operating rights over TRRA for the following segments: (i) the portion of the West Belt Subdivision from NS's connection at May Street Interlock to West Approach Interlock; (ii) the portion of the Merchants Subdivision from West Approach Interlock to SH Interlock; and (iii) the portion of the Illinois Transfer Subdivision from SH Interlock to CP Junction and Valley Junction. CPKC requests that those rights permit CPKC to move any and all traffic between its rights on NS that end at St. Louis and CPKC's yard in East St. Louis and connections with CSXT and other carriers at East St. Louis. To effectuate these rights, Applicants should procure amendments to the existing TRRA

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[115] *See generally* Responsive Application of Soo Line Railroad Company & Canadian Pacific Railway Company, Finance Docket No. 36873 (Sub No. 49).

trackage-rights, terminal-use, and interchange agreements, together with new agreements or grants, as needed.

194. Compensation for the TRRA rights would be established through negotiated agreements or, if necessary, terms prescribed by the Board, using customary terminal trackage rights compensation principles. If a negotiated agreement is not reached within 90 days, the decision on compensation should be left with the Board as set forth in the Service-Assurance Framework discussed below in Section VII.

2. New Access to Customers in Louisiana

195. CPKC also seeks reciprocal switching access to customers in the West Baton Rouge area in Louisiana. The competitive rationale and the operating feasibility of that relief are addressed in the relevant CPKC marketing and operating witness statements.[116] CPKC's proposed reciprocal switching access to customers in Louisiana would be accompanied by springing rights to serve those customers directly if UP's first-mile and last-mile service does not meet competitive needs.

(a.) Reciprocal Switching Terms

196. UP should be required to provide reciprocal switching between CPKC and all eligible existing and future UP sole-served facilities within a reciprocal switching zone that encompasses all shipper facilities on or reached through the West Baton Rouge route extending from Lobdell to Addis over the Avoyelles Subdivision alignment and necessary connecting trackage at Addis, and continuing south over the Livonia Subdivision to MP 79.7, including the

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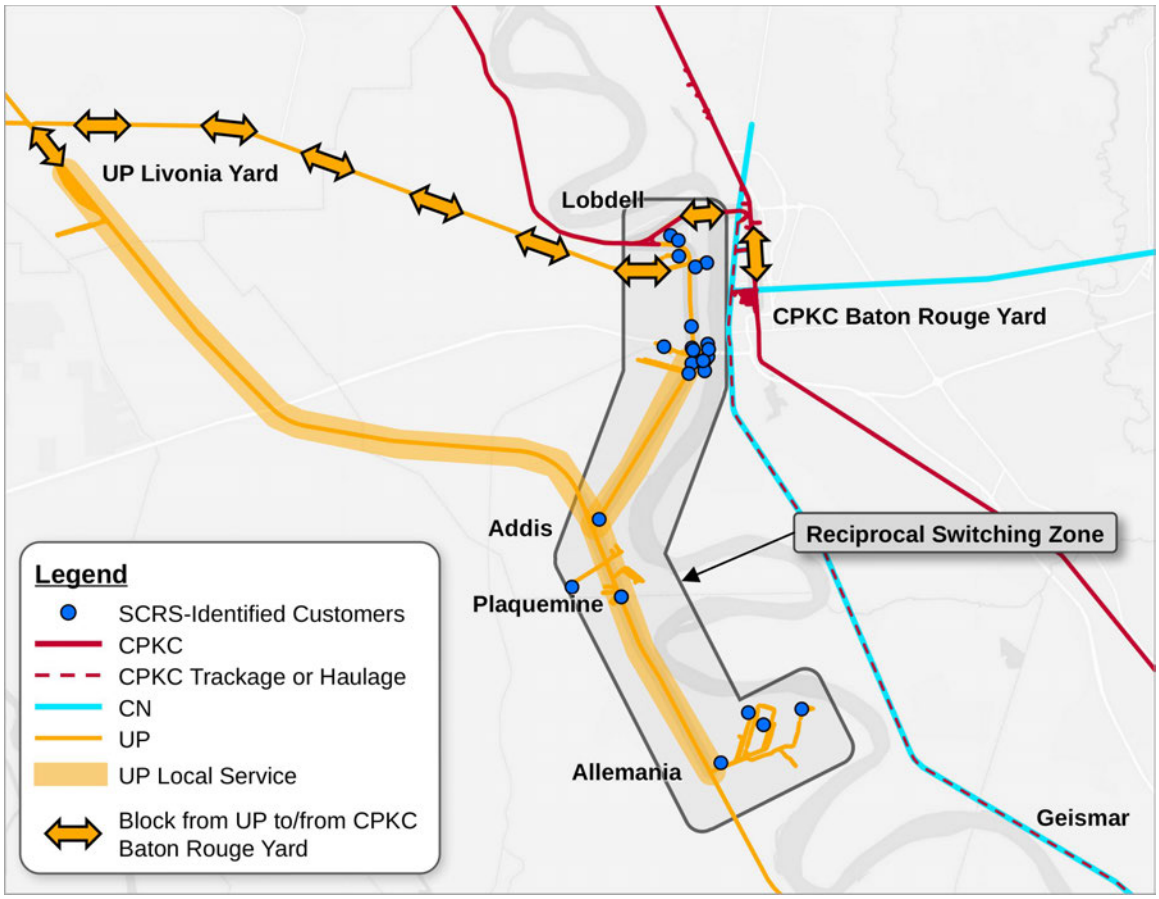
[116] *See* Brooks V.S. ¶¶ 210-11; *see also* Redd V.S. ¶¶ 195-206.

siding and industrial trackage along that route and the customer leads and connections necessary to reach the covered facilities.

FIGURE 16 – PROPOSED RECIPROCAL SWITCHING FOR CUSTOMERS IN BATON ROUGE



197. Under the proposed arrangement, UP should perform the required customer switching and block assembly, handle the traffic through Livonia, and deliver the cars to CPKC at Baton Rouge Yard for CPKC's onward line-haul service, with corresponding arrangements for traffic moving in the opposite direction.

198. Applicants should receive reasonable and nondiscriminatory compensation for the reciprocal switching and related terminal services they perform. Compensation should take account of the nature and cost of those services and should not be structured or applied to nullify the competitive value of the access. Compensation should be established through good-faith

negotiations or, if necessary, determination by the Board, using customary reciprocal switching compensation principles. If agreement is not reached within 90 calendar days after the approval order becomes effective, any unresolved compensation terms should be submitted to the Board for expedited determination, with either party entitled to initiate that referral, as set forth in the Service-Assurance Framework I discuss in Section VII. Interim service should be available on reasonable provisional terms during negotiations and Board review.

(b.) Trigger for Trackage Rights and Trackage Rights Terms

199. Reciprocal switching should serve as the initial remedy because it can introduce competition while continuing to use UP's existing local-service operation. But CPKC and affected customers should not remain dependent on UP-provided switching that proves commercially or operationally ineffective. The Board should therefore preauthorize nonexclusive direct operating rights over additional UP track necessary to connect the facility with CPKC's network, exercisable at CPKC's election by supported notice upon either (i) the satisfaction of the activation requirements in the Interline Service Agreement between CPKC and UP at Baton Rouge, LA (the "ISA"),[117] which are described below or (ii) a qualifying failure of UP-provided reciprocal switching to support effective competition under the separate substantive and cure requirements described below. Neither ground should require a further Board merits determination.

200. The reciprocal switching service should meet the agreed ISA window and frequency, currently between 1300 and 1700 hours, seven days per week,[118] or a replacement

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117 *See* UP-CPKC Baton Rouge Interline Service Agreement.

118 *Id.*

window adopted by the Board to ensure UP provides dependable reciprocal switching, including movement from customer facilities to our Baton Rouge Yard. Those standards should address the windows within which cars are picked up or delivered, the frequency of those pick-ups and deliveries at Baton Rouge Yard, the timely pickup once cars are available at customer locations and compliance with blocking protocols so that northbound and southbound cars are separated upon delivery. Following notice of a failure to meet the standards adopted by the Board or the ISA window and frequency, UP should have 30 days to cure by achieving the same compliance standard during the cure period. If UP does not do so, CPKC should be entitled to activate the preauthorized direct-access rights by filing notice with the Board and serving Applicants, identifying the measurement and cure periods, supporting records, covered facility or facilities, authorized route, and commencement date. Satisfaction of those requirements should establish the service-failure predicate without an additional cure period, a new showing of materiality or merger causation, or a further Board merits determination. Applicants' objection should not suspend activation absent a Board stay, and disputes should receive expedited resolution under the Framework without reopening the merits of the grant.

201. For failures outside the objective ISA trigger, an individual material failure, or repeated failures that collectively materially impair effective switching, should permit CPKC to activate the preauthorized direct-access rights by supported notice under the Framework after notice of the failure and a 30-day opportunity to cure. Where that ground rests on measured service performance, the Framework's 30-day measurement period should also apply. The notice should identify the affected facility or facilities, the obligation breached, supporting records, satisfaction of the applicable measurement and cure requirements, and the corresponding authorized route. Enforcement of an independent switching, service, or

nondiscrimination obligation should not require a fresh showing of merger causation. Where Applicants' contribution to deterioration is required, it should be enough that their conduct caused or materially contributed to the harm under the Framework. Activation should not require a further Board merits determination, and Applicants' objection should not suspend exercise absent a Board stay.

202. Once activated, the condition should permit CPKC to operate with its own crews, locomotives, and equipment over the identified track and necessary connections, with incidental pickup, setout, staging, runaround, interchange, and information rights. Reasonable compensation, applicable cost allocation, and documented nondiscriminatory safety and qualification requirements should apply. Compensation should be the same as the current GTM rate UP pays for utilizing CPKC's DeQuincy-Beaumont line. CPKC should be permitted to qualify its crews through locally qualified CPKC supervisory train-and-engine personnel, subject to documented, nondiscriminatory qualification requirements. An ongoing UP pilot or operating crew should not be required after completion of that process.

3. New Access to Customers in Bloomington and Corpus Christi and Protected Use of the Victoria Industrial Lead

(a.) Reciprocal Switching Terms

203. UP should be required to provide reciprocal switching between CPKC and all eligible existing and future UP sole-served facilities within the following defined switching zones: (1) the Bloomington switching zone, comprising the territory within a 35-mile radius of UP's Bloomington Yard in Bloomington, Texas, including Point Comfort and all of Victoria; and (2) the Corpus Christi switching zone, comprising the territory within a 35-mile radius of Corpus Christi, Texas, including Gregory, Sinton, and Odem. The competitive rationale and the

operating feasibility of that relief are addressed by Mr. Redd and Mr. Brooks in their Verified Statements.

FIGURE 17 – PROPOSED RECIPROCAL SWITCHING FOR CUSTOMERS IN BLOOMINGTON, TX

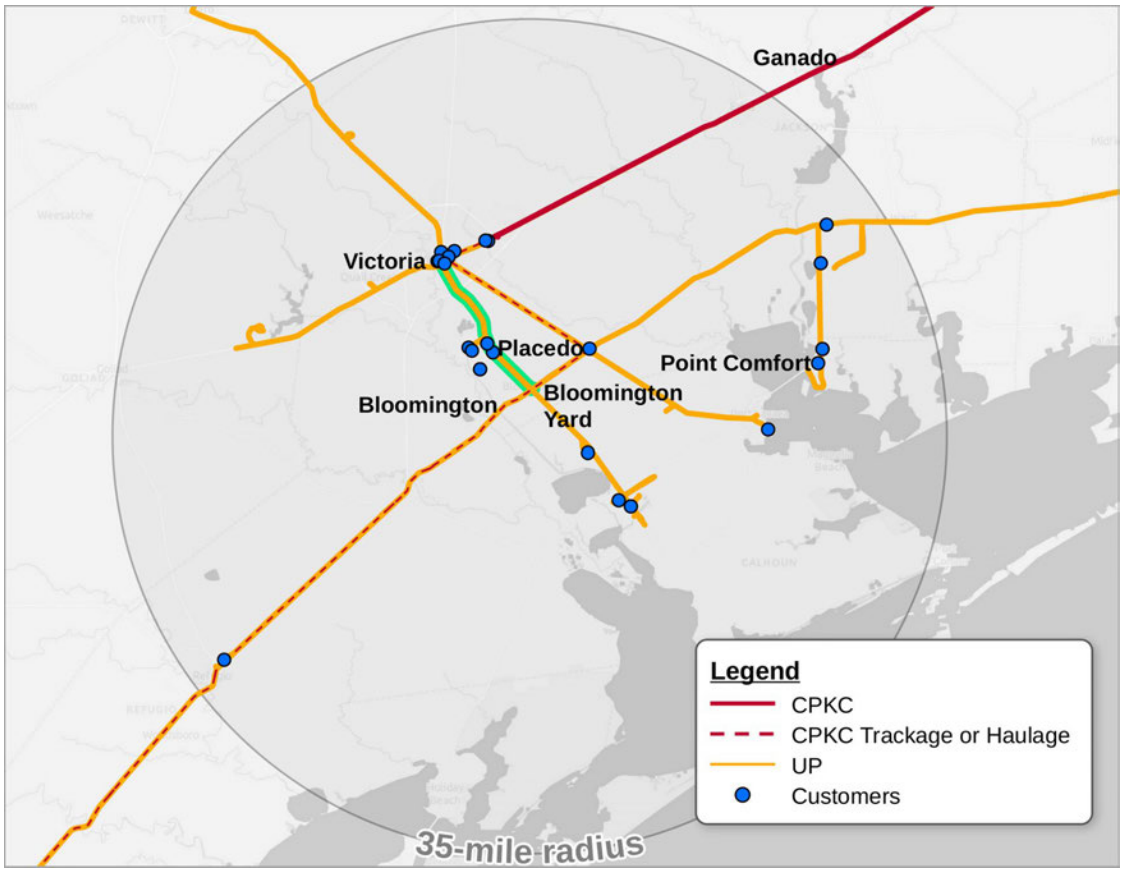
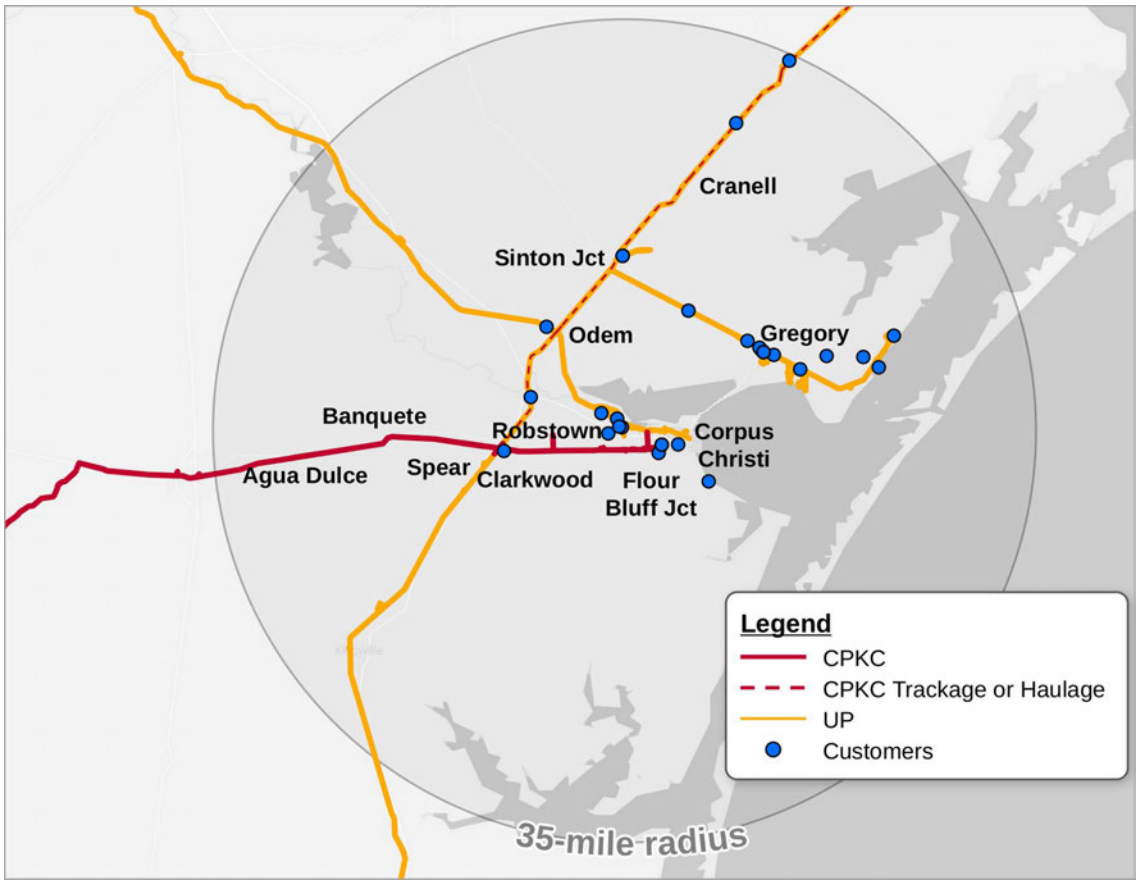


FIGURE 18 – PROPOSED RECIPROCAL SWITCHING CORPUS CHRISTI, TX



204. Applicants should receive reasonable and nondiscriminatory compensation for the reciprocal switching and related terminal services they perform. Compensation should take account of the nature and cost of those services and should not be structured or applied to nullify the competitive value of the access. Compensation should be established through good-faith negotiations or, if necessary, determination by the Board, using customary reciprocal switching compensation principles. If agreement is not reached within 90 calendar days after the approval order becomes effective, any unresolved compensation terms should be submitted to the Board for expedited determination, with either party entitled to initiate that referral, as set forth in the Service-Assurance Framework I discuss in Section VII. Interim service should be available on reasonable provisional terms during negotiations and Board review.

(b.) Protected Use of the Victoria Industrial Lead

205. CPKC's use of UP's Victoria Industrial Lead is subject to a written agreement that permits UP, at its discretion, to route CPKC trains over the Lead as necessary to maintain fluidity in the Victoria-Placedo-Robstown corridor, while UP maintains and operates the Lead.[119] [redacted] [120] UP's dispatchers regularly route CPKC through trains via the Victoria Industrial Lead, which provides a route between Victoria and Bloomington to bypass congestion on the Cuero Subdivision and at Bloomington Yard.

206. The Lead thus provides an important operating alternative when congestion affects CPKC's ordinary route, but CPKC's ability to use that alternative is subject to UP's routing discretion. This discretionary through use does not provide the durable operating right needed to protect CPKC's service. CPKC therefore seeks durable, nonexclusive rights to operate with its own crews and locomotives over the Lead between Victoria and Bloomington for through train operations and to transport traffic received or delivered through reciprocal switching for covered facilities on or directly accessible from the Lead. UP should perform the local customer pickups and deliveries and assemble the traffic into operationally usable blocks for interchange with CPKC, which would provide the competing line haul. CPKC's rights should include the pickups, setouts, interchange, and connecting and incidental operations necessary to receive and deliver those blocks and transport the resulting traffic. CPKC should be

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[119] *See* Ex. A to Supplement to the Rosenberg Line Trackage Rights Agreement (Apr. 29, 2009), ¶ 6; Supplement to the Rosenberg Line Trackage Rights Agreement (Apr. 29, 2009), ¶ 1.

[120] *See* Ex. A to Supplement to the Rosenberg Line Trackage Rights Agreement (Apr. 29, 2009), ¶ 6.

able to elect through use of the Lead when operationally appropriate to maintain fluidity, subject to nondiscriminatory dispatching and safety requirements. Neither the through-operation rights nor reciprocal-switching access should require a prior service failure. Reciprocal-switching access to covered facilities should not depend on congestion elsewhere or UP's discretionary authorization of a bypass movement. UP should execute the instruments and arrangements necessary to provide the authorized reciprocal-switching access.

207. Compensation for CPKC's Victoria Industrial Lead rights should be calculated using the current gross-ton-mile rates for trackage rights under the agreements governing the Cuero Subdivision.

4. Operating Rights Over UP-NS Tracks to Effect Direct Interchange Between CPKC and CSXT Through West Yard

208. CPKC accesses West Yard, its New Orleans yard, via CN tracks from Frellsen/Orleans Junctions to East Bridge Junction, then uses several hundred feet of NS's Back Belt to reach the West Yard connection track. CPKC does not hold operating rights over the remaining Back Belt track. West Yard connects with the New Orleans Public Belt Railway ("NOPB"), through which CPKC serves the Port of New Orleans and interchanges with NS and CSXT. The current operating rights—according to the position staked out by NS—create an impasse that precludes direct interchange between CPKC and CSXT through West Yard. Although CSXT may use the Back Belt as far as East Bridge Junction, it lacks the rights over CN track required to pull its trains forward far enough to reverse into West Yard. CPKC has rights over the relevant CN trackage, but NS maintains that CPKC cannot travel on the Back Belt

beyond the West Yard entrance, foreclosing the movement necessary for direct interchange.[121] Consequently, neither railroad can perform all of the movements required to interchange directly with the other through West Yard.

209. As a condition of the merger, UP and NS should provide or affirm nonexclusive operating rights over their tracks for the sole purpose of enabling direct interchange between CPKC and CSXT through West Yard. CPKC's request is limited to rights needed for interchange; it does not seek trackage rights to conduct independent overhead or local service on the lines of UP and NS.

210. The arrangements should cover all portions of the Back Belt, access and departure points, connections, and incidental train movements needed solely to carry out direct interchange between CPKC and CSXT through West Yard. They should authorize both the delivery and acceptance of interchange traffic, together with the related movements required to complete the operation into and out of the yard. Each carrier's rights must be sufficient to support an interchange that can actually be performed. These interchange operating rights should remain in effect permanently unless modified by the Board and should receive the protections afforded by the service obligations described in Section VII. Compensation and operating terms for the rights should be reasonable and nondiscriminatory.

211. Applicants should revise existing instruments or enter into new ones governing use of the Back Belt, interchange, access to West Yard, and associated connecting movements, and obtain the necessary assents so that the interchange arrangements required by this condition

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121 *See* Agreement for Detour of Military Train Over NSR New Orleans Back Belt (Jan. 15, 2021) [redacted]

are effective no later than consummation. Those implementing measures should eliminate geographic, interchange, operating, and equivalent restrictions only insofar as necessary to allow the specified movement, while retaining existing beneficial rights.

212. UP and NS should cause the entities under their control to execute the required instruments and furnish every approval and assent within their authority. The resulting arrangements should provide everything needed to carry out the interchange.

VI. THE BOARD SHOULD NOT ALLOW UP TO ACQUIRE CPKC'S WYLIE INTERMODAL TERMINAL, MUCH LESS NS'S EFFORT TO EXPAND ITS ACQUISITION TO BLOCK OTHER CPKC USE OF ITS PROPERTY

213. NS is currently seeking to create at Wylie, TX, a real, physical barrier to CPKC's ability to compete with the merged UP.

214. One of the MSLLC agreements—the Dallas Terminal Marketing Agreement ("DTMA")—granted NS [redacted] to acquire KCSR's Dallas area intermodal terminal.[122]

215. When KCSR relocated its Dallas area intermodal terminal from Zacha Junction to Wylie, the parties executed an agreement with a survey showing where NS's option applied.[123]

216. In late February 2025, after UP and NS preliminarily discussed the possibility of merging, NS notified CPKC that [redacted][124] But instead of notifying CPKC that [redacted] NS expanded its claim to

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[122] *See* Dallas Terminal Marketing Agreement (May 1, 2006, as amended Sep. 28, 2016 & Mar. 20, 2024), §§ 1(b), 3, 4(b) ("DTMA"); *see also* Wylie Memorandum of Agreement (Sep. 28, 2016), ¶¶ 1, 4, 6.

[123] *See* Wylie Memorandum of Agreement, ¶¶ 2-4.

[124] *See* Letter from Hanna Chouest to Mark Redd and Cassandra Quach (Feb. 24, 2025) (attached hereto as Exhibit 16).

include: [redacted]

[redacted][125] This overreach is shown in Figure 19 below.

[125] *See id.*

[redacted]

217. [redacted]

[redacted]

218. In May 2025, NS vaulted past a required face-to-face discussion of the issue between CPKC and NS senior management at the MSLLC Management Committee, instead [redacted] Both Wylie Intermodal Terminal and the property surrounding the Terminal remain owned and controlled by CPKC. CPKC's request for merger conditions addressing the additional property—in the event that [redacted] and that UP acquires NS—does not concede [redacted]

219. With respect to CPKC's ability to compete with UP-NS for intermodal services to/from Dallas, [redacted] to its acquisition of NS would have serious anticompetitive consequences. UP already controls two of the four intermodal terminals serving the Dallas-Fort Worth area.[126] If [redacted] and UP acquires NS, UP would control three of those four terminals and CPKC would own none. [redacted]

[126] *See* Rev. App. 2-647 (Gehringer & Orr Second Errata V.S. ¶ 76).

[redacted]

220. [redacted] The DTMA, Amendment 2, obligates [redacted] saying in pertinent part:

> NSR agrees to provide to KCSR, ***for KCSR intermodal traffic***, other than traffic to be interchanged at Meridian, on a nondiscriminatory basis with its own traffic and pursuant to agreements typical to the industry, ***all services normally provided by an intermodal rail terminal to a third party railroad***, including but not limited to: inbound and outbound gate inspections, inspection of seals, removal of trailers and containers, with or without chassis, from intermodal cars, loading and securing of trailers and containers on intermodal equipment, loading and unloading of containers, chassis, and trailers from trackside to designated parking space, loading and unloading of containers to chassis to ground, ground to chassis, and ground, inbound and outbound rail running inspections of trailers and containers under the applicable AAR rules, physical security for KCSR trailers and containers, intermodal cars and chassis to the same general level and quality as KCSR provides for its own equipment and business at the Terminal, storage for containers, trailers and chassis, on-site repair services for trailers, container, chassis, and intermodal rail cars, and reasonably suitable *and sufficient office space for two (2) KCSR employees*. [redacted][127]

221. The quoted intermodal handling obligation would not preserve CPKC's authority to use, maintain, and expand the disputed carload and bulk switching yard, support tracks, and other property to continue its existing non-intermodal/non-automotive operations that compete with UP in Dallas/Fort Worth. [redacted]

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127 *See* Dallas Terminal Marketing Agreement, Second Amendment § 2 (emphasis added).

[redacted] NS would be obligated to handle only CPKC intermodal traffic on any of the property NS acquired. CPKC's ability to continue those services could depend on obtaining additional rights or operating arrangements from NS or, after the merger, UP. The existing intermodal handling obligation therefore does not resolve the competitive harm threatened by NS's claims to the additional property.

222. UP's acquisition of the Wylie Intermodal Terminal and any additional CPKC property would also change the incentives governing those facilities. The combined carrier would compete with CPKC for Mexico-Dallas, Dallas-Chicago, and Dallas-Atlanta intermodal traffic, while the additional property supports CPKC carload traffic that competes with UP. Preserving a nondiscriminatory intermodal handling obligation would not preserve CPKC's independent control over the facilities and operating resources needed to compete for that business or respond to customers' future needs.

223. The Board should therefore condition any approval of the merger on preserving or restoring CPKC's ownership, operation, and independent control of the Wylie Intermodal Terminal, together with its continued ownership and use of the adjacent yard, support tracks, and property needed for existing operations and future growth. Applicants should release [redacted] and amend the DTMA and related instruments as necessary to implement that protection. If NS or UP acquires any covered interest before consummation, the condition should require reconveyance of that interest to CPKC, with CPKC reimbursing the purchase price actually paid to it for the interests reconveyed. Nondiscriminatory intermodal handling does not preserve

CPKC's independent authority to use, maintain, and expand its terminal, and does not protect the carload operations supported by [redacted] The merger condition should protect both forms of competition without depending on the outcome of [redacted]

224. The Board should also require NS to release CPKC from obligations to NS under the DTMA, especially Section 2 of the agreement, to give NS a two-week [redacted] on the movement of "Dallas Intermodal Terminal Traffic."[128] Dallas Intermodal Terminal Traffic, as defined in the DTMA, means [redacted] When this arrangement was implemented, NS did not reach Dallas and so was willing to cooperate with KCSR in trying to market domestic intermodal traffic from Dallas to the east. With NS becoming a part of UP, however, NS will reach Dallas, so Dallas Intermodal Terminal Traffic would compete with service the combined UP-NS could provide from Dallas over its own lines, including connecting to the MSLLC in Shreveport, LA. Giving NS a [redacted] would therefore become a significant roadblock for CPKC in competing with the combined UP-NS in this lane for domestic intermodal traffic moving to or from the Wylie Intermodal Terminal. Accordingly, NS should be required to release that anticompetitive

[128] The 2024 Second Amendment to the DTMA carved Myrtlewood Traffic out of Dallas Intermodal Terminal Traffic but otherwise left Section 2 in place. *See* Dallas Terminal Marketing Agreement, Second Amendment (March 20, 2024).

requirement in Section 2 of the DTMA, as well as wherever else it appears in the MSLLC agreements.

VII. CPKC'S PROPOSED TERMS FOR NEW OPERATING RIGHTS ARE APPROPRIATE TO SAFEGUARD EFFECTIVE COMPETITION – THE SERVICE-ASSURANCE FRAMEWORK

225. CPKC proposes that, if the Board approves UP's merger with NS, the Board impose as a condition the formulation and implementation of an overarching, permanent set of protections referred to herein as the "Service-Assurance Framework" or "Framework," for short. The Framework should govern all corridors, terminals, facilities, rights, and services protected by the conditions, including CPKC's operations over Applicants' trackage, Applicants' provision of switching and interchange service, and Applicants' obligations to provide or procure the access and terminal arrangements necessary to make the protected rights effective. Coverage should not depend on whether CPKC operates the train or Applicants perform the service.

226. The Framework should begin with up-front development of meaningful, measurable, and corridor-specific standards. Those standards should protect CPKC's ability to move reliably, should address timely acceptance and admission of trains that are offered and ready to proceed onto UP's lines, transit times across corridors, delays while being held en route, dispatching decisions including equal treatment and excessive recrews. Compliance should be measured over a 30-day period, followed by notice identifying any failure and a 30-day opportunity to cure. If the applicable targets are not met during that cure period, the corresponding preauthorized remedy should become exercisable by written notice to UP and to the Board, subject to the other substantive requirements of the particular condition. This approach should apply in Kansas City, Meridian, Baton Rouge, and other locations for which CPKC seeks performance-based springing operational relief. More protective existing

contractual standards should remain enforceable; the proposed thresholds for additional remedies should not reduce those duties or permit discriminatory treatment.

227. CPKC's experience is that joint service committees and similar consultation mechanisms, standing alone, do not produce the rigorous implementation and monitoring needed for effective oversight or adequate incentives. While the Beaumont- Robstown trackage rights have such devices, UP simply turns them into a mechanism for delay. The Framework should therefore combine a standing, Board-appointed monitor, prompt Board intervention, and enforceable service standards responsive to customers' needs and changing operations.

228. The Board should establish the substantive rights, governing duties, and available remedies in its approval order and use an expedited technical conference or comparable process involving affected customers and carriers, Applicants, and the monitor to adopt the governing standards and measurement conventions before consummation. That process should define the covered movements and service days, locations, start and end events, permitted exclusions, and method for determining compliance during the measurement and cure periods. The measures should be corridor-specific and should address all material aspects of performance, including the timeliness and reliability of acceptance and handling of offered traffic, transit times across corridors, delays while being held en route, the soundness of dispatching decisions, delivery of complete, operationally usable blocks and excessive recrews. The Board should decide disputed standards, and Applicants should not control the standards or postpone protection by withholding data or agreement.

229. The Framework also should establish defined triggers for consequences that take immediate effect upon notice once the adopted activation requirements, including the applicable measurement and cure periods, have been satisfied without requiring CPKC to return to the

Board for a new merits determination. UP's favorite defense to competition is delay—delay in scheduling capital projects; delay in performing capital projects after years of scheduling delay; delay in performing repairs required to lift slow orders on jointly-used track; delay or outright denial in acknowledging the plain meaning of a contract.

230. Competition delayed is competition denied. Accordingly, timely automatic and prearranged remedies are necessary to create incentives for good performance and to restore reliable service promptly when performance deteriorates.

231. To ensure effective monitoring and enforcement, the Board should appoint an independent monitor with substantial railroad operating expertise to serve for the duration of the permanent protections. The monitor should review compliance and planned changes, be able to compel Applicants to provide necessary information promptly, report independently to the Board and affected beneficiaries, and help resolve disputes before delay defeats the underlying right. Applicants should provide the monitor with regular service-performance and compliance reports in a standardized form, prompt notice of material service failures, and advance notice of planned operational changes capable of impairing protected service, and should promptly furnish the records, data, and explanations reasonably requested, whether or not a dispute is pending. Those reports would permit the Board to oversee implementation of the transaction, identify recurring failures, and determine whether additional action beyond the prearranged remedies is required. The monitor would support, not replace, the Board's responsibility for enforcement.

232. For each corridor, terminal, and service covered by the Framework, the Board's approval order should identify the protected operation and the minimum operating requirements needed to make CPKC's rights effective. Development of detailed performance measures should not delay the effectiveness of the protections. Applicants should not be permitted to

consummate the merger or implement merger-related operating changes until the Board determines that the initial service standards and monitoring, reporting, and enforcement arrangements are in place and operative. Pending completion of final measures, preserved contractual standards, nondiscrimination duties, information duties, and interim operating requirements in the approval order should protect existing services. Each standard should be measured against a representative pre-merger baseline or, for new services, the operating plan, customer requirements, and comparable operations; a restriction that previously prevented a service should not produce a zero-service baseline. Applicants should not be able to lower standards through unilateral rebasing, changed classifications, or exclusions.

233. The agreements, consents, and operating arrangements indispensable to exercising a preauthorized remedy should be established in advance, so that an activation event does not begin another negotiation over whether or on what terms the right may be used. Applicants should complete the arrangements within their control and secure necessary third-party participation through the implementation process established by the Board. Whenever a condition requires CPKC and Applicants to agree on commercial, operating, or other implementing terms, the parties should negotiate in good faith for up to 90 calendar days. If agreement has not been reached by the end of the 90-day period, the parties should be required to submit the remaining disputed terms to the Board for expedited resolution.

234. Once the applicable activation and cure requirements have been satisfied, CPKC should be able to exercise the authorized remedy under those arrangements, subject to the prescribed safety and qualification requirements.

235. The Framework may distinguish warnings requiring investigation or prevention, breaches requiring correction, and failures triggering additional remedies. Once the applicable

activation requirements adopted by the Board, including the 30-day measurement period and ensuing 30-day cure period for performance-based triggers, have been met, CPKC should be entitled to activate the corresponding preauthorized remedy by filing notice with the Board and serving that notice on Applicants, without a further Board merits determination, additional cure period, or new application. Where a remedy requires that Applicants' conduct contributed to deterioration, it should be enough that their conduct caused or materially contributed to the harm, and a rebuttable presumption of contribution should apply where material deterioration follows a post-merger change in Applicants' traffic, routing, operations, terminal work, or resources with a reasonable operational connection to the harm. Notice identifying a performance failure should begin the 30-day cure period; it should not create a separate 30-day notice period in addition to measurement and cure. Submission of a corrective plan should not be treated as cure.

236. CPKC, affected customers, and other carriers should be able to invoke a standing expedited procedure. The Board should establish short, definite deadlines for Applicants' responses and production of operating records, the monitor's findings or referral of unresolved disputes, and Board decisions, with accelerated consideration of requests for interim or emergency relief, including before expiration of a measurement or cure period where necessary to prevent material harm. Consultation, a committee meeting, mediation, or review by the monitor should not be an exhaustion requirement or add a waiting period before direct Board relief.

237. Applicants should bear the reasonable costs of establishing, administering, monitoring, and enforcing the Framework, including the monitor and necessary technical support and beneficiaries' reasonable legal and expert expenses in good-faith enforcement. While a dispute is pending or a cure period is running, CPKC's existing rights, current contractual service

standards, and the interim operating requirements in the approval order should stay in effect. Applicants' objection alone should not suspend a remedy that has been triggered; Applicants should have to obtain a stay from the Board. Activated rights or transferred dispatching should remain effective unless affirmatively stayed, modified, or suspended by the Board. Restoration of performance or expiration of a measurement, cure, review, or formal oversight period should not automatically end the relief. Applicants seeking its suspension or return of dispatching should demonstrate that corrective measures will sustain reliable and nondiscriminatory service after they resume control, except as otherwise ordered by the Board; improvement achieved because the remedy remains in place should not alone justify reversion. The underlying rights, service obligations, and availability of renewed activation should remain effective. In CPKC's experience, Applicants' most effective tool against competition has been delay, and the Framework must ensure that delay in resolving a dispute does not give Applicants the very advantage the conditions are meant to prevent.

VERIFICATION

I, Adolph Gameiro, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this statement.

Executed on this 18th day of November, 2026.



Adolph Gameiro

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

APPENDIX A

Highly Confidential Attachment

Filed under seal pursuant to Protective Order

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

APPENDIX B

Highly Confidential Attachment

Filed under seal pursuant to Protective Order

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

APPENDIX C

Highly Confidential Attachment

Filed under seal pursuant to Protective Order

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

APPENDIX D

Highly Confidential Attachment

Filed under seal pursuant to Protective Order

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SURFACE TRANSPORTATION BOARD

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

APPENDIX E

Highly Confidential Attachment

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

APPENDIX F

Highly Confidential Attachment

Filed under seal pursuant to Protective Order

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SURFACE TRANSPORTATION BOARD

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

APPENDIX G

Highly Confidential Attachment

Filed under seal pursuant to Protective Order

BEFORE THE
SURFACE TRANSPORTATION BOARD

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

APPENDIX H

Highly Confidential Attachment

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BEFORE THE
SURFACE TRANSPORTATION BOARD

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

VERIFIED STATEMENT OF ADOLPH GAMEIRO

APPENDIX I

Highly Confidential Attachment

Filed under seal pursuant to Protective Order

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

UNION PACIFIC CORPORATION AND UNION PACIFIC RAILROAD COMPANY
– CONTROL –
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VERIFIED STATEMENT OF MICHAEL WALCZAK

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36873

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

VERIFIED STATEMENT OF
MICHAEL WALCZAK

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APPENDIX

APPENDIX A: TTX Equipment Overview

VERIFIED STATEMENT OF MICHAEL WALCZAK

I. WITNESS BACKGROUND

1. My name is Michael Walczak. I serve as Vice President of Service Design at Canadian Pacific Kansas City Limited ("CPKC"). In that capacity, I am responsible for the development and maintenance of CPKC's Operating Plan and schedules, analysis of network performance, railcar fleet distribution, and support of operations technology applications, and I have held this position since June 2025. Prior to this role, I served as Vice President of Network Operations.

2. I have worked at CPKC and Kansas City Southern ("KCS") since 2008 in a variety of roles in finance and operations including purchasing, financial planning & analysis, service design, mechanical, and network operations and have led the railcar fleet distribution organization multiple times including stints at both KCS and now CPKC.

3. Among my current responsibilities are working with customers and CPKC's commercial teams to understand demand and fulfill car orders, adjusting orders of pooled railcars (multi-level, intermodal, flatcar, boxcar, and specialty cars) based on changes in demand, understanding car flows, velocity and cycles to allocate railcars, and the planning and scheduling of the on-demand and dedicated trains for bulk commodity customers.

4. In this role, I interact with TTX on the status and performance of railcar pools, and CPKC's railcar needs, among other topics. I will also engage with customers, particularly in the automotive segment, regarding operation of the multi-level pool and their car supply needs.

5. I am submitting this statement to address the adverse implications of the proposed UP-NS merger for the operation of several of the railcar pooling arrangements that support efficient and competitive supply and operation of railroad freight cars across North America.

II. INTRODUCTION AND SUMMARY

6. The UP-NS merger would have significant implications for three distinct but related sets of railcar equipment supply and pooling arrangements that have served the industry well for decades: (a) TTX's flatcar and Railbox pools, (b) the "Multilevel" pool that supports the efficient supply of autorack equipment that supports the movement of finished automobiles across North America, and (c) the North American Boxcar Pool.

7. The UP-NS merger, if approved, will change UP's incentives with respect to participation in these equipment pools while simultaneously giving it increased influence—if not outright control—over the operation of these pools. These pools are a vital part of what makes America's interconnected rail network function efficiently today. In many respects, these equipment pools allow equipment to be deployed across America's interline rail network in a manner that mimics how a transcontinental railroad might deploy equipment. Empty equipment can move freely from a destination on one railroad to a nearby origin on another railroad, taking advantage of triangulation opportunities that reduce empty repositioning costs, shorten cycle times, and allow the same number of cars to achieve greater utilization for the collective and greatest overall benefit of all pool participants and shippers.

8. The Board has repeatedly recognized these kinds of benefits. In 1974, for example, the ICC explained that the TTX flatcar and boxcar pools would:

> provide for considerably greater utilization than that achieved by railroad-owned cars. In achieving this end the railroad applicants particularly emphasize the flexibility in movement of pool cars which can be loaded when or where shipments are immediately available without the restrictive influence of railroad ownership. Despite protestations to the contrary, such advantageous flexibility will be little restricted by subjecting pool cars to car service orders in emergency situations, which should have minimal impact on daily operations. Availability of pool cars will further be enhanced by the practice of [TTX] and the power of Railbox to issue car service

> directive[s] governing the movement of unused pool cars to points where they are in demand.[1]

The Board has consistently reaffirmed these conclusions in the decades since.

9. The UP-NS merger is unlikely to do much to improve utilization of these pooled car types. The Revised Application confirms this viewpoint. Witnesses Gehringer and Orr state that Applicants expect to "improve the efficiency of freight car distribution and create new opportunities to triangulate railcar usage … [through] reduced empty car miles as fewer cars will be reverse-routed to the origin carrier," but "Applicants *did not* calculate incremental empty mileage savings for railcars that currently operate in national pools, such as intermodal wells, autoracks, and boxcars."[2]

10. If allowed to merge with NS, UP will have every incentive to rely on and prefer its go-everywhere transcontinental network for the pooled railcar types, and it will therefore have reduced incentives to support sharing the benefits of pooling with others. Today, those other railroads are UP/NS's interline partners (*e.g.*, in NS-BNSF, UP-CSXT and other pairings), whereas after the merger those other railroads will all be head-to-head rivals. As the field of competition shrinks, UP will be less dependent upon the other rail carriers and therefore less motivated to reach cooperative, mutually beneficial solutions.

11. With UP having considerable influence on the functioning and continued viability of the pools, the merger likely would lead to these pools serving the interests of railroads other than UP less well, and in turn to their becoming less effective at serving the interests of railroad customers and an efficient rail network. Board-imposed conditions might mitigate some of the issues, but it will be impossible to recreate the pre-merger situation in which UP and NS have

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1 *American Rail Box Car Co. & Trailer Train Co.—Pooling*, 347 I.C.C. 862, 900 (1974).

2 Rev. App. at 2-789 to -90 (Gehringer/Orr Second Errata V.S. ¶ 381) (emphasis added).

strong independent incentives to support the pro-competitive, pro-efficiency, pro-interline rail network aspects of these pools.

III. KEY INDUSTRY RAILCAR EQUIPMENT POOLS HAVE PLAYED A PROCOMPETITIVE AND VITAL ROLE IN PROVIDING EFFICIENT ACCESS TO RAIL CARS NEEDED TO SERVE AND GROW RAIL FREIGHT

A. TTX's Flatcar and Boxcar Pools

12. TTX Company occupies a unique and indispensable position in the North American railroad industry. Founded as a cooperative pooling entity owned by the Class I railroads and certain other participating carriers, TTX provides its members with shared access to large, professionally managed fleets of railcars, principally intermodal wells, other flatcars, and boxcars. The scale and breadth of TTX's pooled and managed fleets would be virtually impossible for any single railroad to replicate on its own, and the efficiencies TTX delivers are fundamental to the competitive health of the railroad industry.

1. The TTX Flatcar Pool

13. TTX's pooling of intermodal and other flatcar equipment was authorized by the ICC in 1974 and has been reauthorized four times, in 1989, 1994, 2004, and 2014.[3] The Board and its predecessor agency have repeatedly recognized the pro-competitive benefits associated with pooling intermodal wells and flatcars. The TTX flatcar pool invests in, maintains, and manages the distribution of intermodal and other flatcars that are indispensable to a wide range of freight movements. Through TTX's offering of railcars and various pools, CPKC and TTX's other participating carriers have access to (a) intermodal flatcars or "wells," including double-

[3] *See* Finance Docket No. 27590. The 1974 authorization was in *American Rail Box Car Co. & Trailer Train Co. – For Approval of the Pooling of Car Service with Respect to Box Cars*, 347 I.C.C. 862 (1974). The 1989 reauthorization was in Finance Docket No. 27590 (Sub-No. 1), *Trailer Train Co. – Pooling of Car Service with Respect to Flatcars*, 5 I.C.C.2d 552 (1989). The 1994 reauthorization was in Sub-No. 2 (served Aug. 31, 1994); the 2004 reauthorization was in Sub-No. 3 (7 S.T.B. 778 (2004)); and the 2014 reauthorization was in Sub-No. 4 (served Oct. 1, 2014).

stack well cars used to move containerized freight across our transcontinental network; (b) centerbeams used to carry lumber, dimensional wood products, and other building materials to construction markets across North America; (c) bulkhead flats used to move steel plates, pipes, bars, and dimensional lumber, as well as different sorts of heavy equipment and machinery; (d) chain tie-down and other conventional and specialized flat equipment used to move machinery, other steel products, wind-energy components, Department of War armored vehicles and other mechanized equipment, and other loads; and (e) the flatcars that sit under nearly every autorack in service, without which finished-vehicle shipments could not move. Appendix A provides a visual glossary of many of TTX's flatcar types drawn from TTX's website.

14. Approximately [redacted] of CPKC's shipments in these car types rely upon access to TTX equipment. Table 1 below breaks this figure down across the various car types that TTX provides. CPKC's ability to meet customer demand for shipments using these car types depends on fair and equitable access to the TTX fleet.

TABLE 1
TTX EQUIPMENT IS ESSENTIAL TO CPKC'S ABILITY TO MEET CUSTOMER DEMAND[4]



15. To be clear, CPKC also makes substantial investments in railcar assets outside of TTX. CPKC owns and leases significant numbers of railcars to serve customer loading demand, including many flatcar types. For example, CPKC owns and manages centerbeam flatcars used in the shipment of lumber, bulkhead flatcars used in the shipment of steel, both conventional and double-stack intermodal well cars, and "Automax" as well as standard automotive flats. Those investments are made against the backdrop of CPKC's reliable access to TTX equipment and would not be sufficient to support CPKC's traffic volumes absent continued access to TTX railcars.

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4 *See* workpaper "(HC) Flatcar Data."

5 "Other" includes equipment like specialized flatcars, frame cars, and chain tie-down cars.

16. The TTX pools provide a host of benefits that no single railroad, much less one of CPKC's small size, could hope to replicate today. Because the pooled and free-running TTX fleet operates more efficiently and can be redeployed to follow demand shifts over time, fewer cars are needed to meet any given level of demand. TTX has traditionally sized its fleet to support the aggregate needs of all participating railroads, supporting variable demand, seasonal surges, new business opportunities, and interline movements.

17. TTX also plays a vital role in lowering the risk and cost of investments in new railcars that individual carriers would otherwise face. Railcar procurement is capital-intensive: a single intermodal well car can cost hundreds of thousands of dollars, and fleet renewal cycles require sustained investment over many years. TTX supports efficient procurement from car builders and spreads the financial and market risk of ownership across the industry. This pooled approach to investment keeps per-unit costs lower and ensures that the industry's railcar fleet is modern, well-maintained, sized appropriately to meet aggregate demand, and utilized efficiently through the sharing and reallocation of cars based upon actual carrier need.

18. In sum, TTX's pooling model is a procompetitive arrangement that benefits the entire railroad industry, its customers, and the broader economy. By providing shared access to modern, well-maintained fleets of essential railcar types, TTX enables railroads of all sizes to compete more effectively, serve customers more reliably, and invest more efficiently.

19. It bears noting that many of the CPKC service offerings that make use of TTX equipment are in direct competition with UP service offerings: intermodal and automotive parts shipments between Mexico and Chicago and other Midwest points; finished vehicle shipments from Mexico to Texas, Chicago, and other Midwest points; forest product shipments from

origins in the South from plants and mills dual served by CPKC and UP; and lumber shipments from origins in the Southern states to Dallas and other consumption markets, to name a few.

20. UP and NS are key participants in TTX's flatcar pool today. My concern is that, with transcontinental reach and much greater scale, UP-NS will perceive these pools as less important to its own insular self-interests while at the same time understanding that eliminating or hampering the functions of these pools (or making it harder for other participants to gain access to pooled equipment) benefits UP-NS by hurting its competitors. Any transaction that threatens to distort TTX's equitable functioning should be a matter of serious concern to the Board.

2. The TTX Boxcar Pool

21. TTX's boxcar ("Railbox") pool was authorized by the ICC in 1974 in Finance Docket No. 27589.[6] As with its intermodal wells and flatcars, TTX plays an important role in investing in and supporting access to a standardized and well-maintained fleet of railcars that support a wide variety of customer needs. The participants in the Railbox pool represent a broad cross section of large and small railroads.

22. Access to TTX's modern fleet of boxcars is critical to effective car supply for boxcar loadings of appliances and other white goods, as well as pulp, paperboard, wallboard, and other bundled or wrapped commodities. CPKC depends on TTX boxcars to meet loading demand in numerous lanes in which CPKC competes head-to-head with UP, and many markets in which CPKC interlines with NS today. Examples include paper and packaging products shipments from International Paper, Graphic Packaging, and Westrock mills in southern states

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[6] *American Rail Box Car Co. & Trailer Train Co. – For Approval of the Pooling of Car Service with Respect to Box Cars*, 347 I.C.C. 862 (1974).

dual served by CPKC and UP. Additionally, CPKC competes with UP for the handling of premium auto parts in boxcars that move to Mexico.

B. The Multilevel Pool

23. The Multilevel Pool is a longstanding cooperative arrangement among the Class I and other participating railroads for the pooling of multi-level "autorack" cars used to transport assembled motor vehicles. The Board and its predecessor agency approved the Multilevel Pool in 1981 and again in 1995.[7] TTX serves as administrator of the pool on behalf of the participating railroads. TTX provides the operational, distribution, and administrative infrastructure through which the pool's business is conducted.

24. Under the Multilevel pooling arrangement, empty cars are directed by a central distribution team to the nearest point of loading need, without regard to the identity of the railroad on whose line the cars happen to be located. That centralized distribution model helps make autorack transportation of finished vehicles commercially viable on a continental scale. Indeed, nearly all autoracks that serve automotive shipments in North America are distributed through the Multilevel Pool. Like every other participating railroad, CPKC depends on the pool to supply the multi-level equipment needed to serve its automotive customers.

25. CPKC's ability to serve its automotive customers depends on continued access to empty autoracks distributed through the Multilevel Pool. CPKC's relatively small footprint in the United States of distribution facilities for finished automobiles leaves us at a structural deficit in gaining access to the autoracks we need to support loadings. The automobiles we transport are most often unloaded at destinations across *other railroads'* networks, leaving CPKC with

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[7] *Baltimore & Ohio R.R. – Pooling of Car Service Regarding Multi-Level Cars*, Finance Docket No. 29653 (ICC served Aug. 29, 1981); *id.* Finance Docket No. 29653 (Sub-No. 6) (ICC served June 30, 1995) (approving amended agreement).

fewer empty autoracks on its own network than it needs to meet customer loading demand, particularly in Mexico. We therefore rely heavily on empty cars released on [redacted] and directed to CPKC through the pool's distribution process. CPKC has worked hard to attract automotive shipments to CPKC-served destinations, like CPKC's new auto compound in Dallas, but even with the empties from those shipments, we cannot overcome the geographic imbalance between where cars become empty and where our customers need them for loading. If a merged UP-NS were to retain those cars for use within its own network through a closed-loop arrangement, CPKC would face serious equipment shortages, impairing our ability to compete for automotive traffic and leaving shippers in Mexico with fewer cars, less reliable service, and fewer competitive alternatives.

C. The North American Boxcar Pool

26. The final pool at issue is the North American Boxcar Pool ("NABP"), which, like the Multilevel Pool, is administered by TTX on behalf of its participating railroads. The ICC approved this pooling arrangement in 1987.[8]

27. Unlike TTX's Railbox pool (which contains only boxcars owned or leased by TTX), the NABP combines carrier-owned/leased boxcars contributed by a diverse set of participants—large Class I railroads and smaller regional and short line railroads—together with TTX-owned and -leased boxcars that participating railroads contribute to the NABP within the scope of their entitlement to capacity in the TTX Railbox pool.

28. As a centrally managed pool comprising boxcars from the TTX and non-TTX boxcar fleets, NABP supports the efficient movement of boxcar shipments across the entire

[8] *Railroad Car Service Pooling Application (Boxcars)*, Finance Docket No. 30969 (ICC decided Sept. 30, 1987).

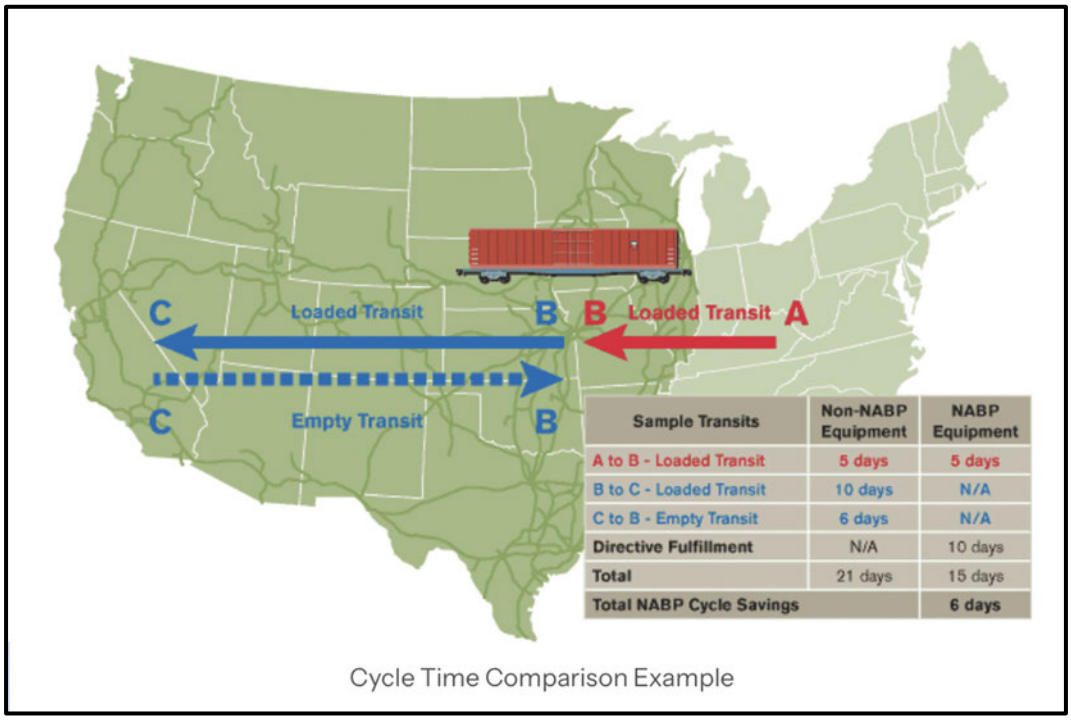
North American rail network, allowing pooled boxcars to be loaded and reloaded wherever they are needed across the North American network, rather than being returned empty to their owners. That arrangement reduces empty mileage and cycle times, improves boxcar availability for shippers of weather-sensitive commodities such as paper, lumber, food products, and manufactured goods, and reduces the number of cars each participant would otherwise need to own to serve its customers.

29. UP's website describes the benefits of the NABP as something that "helps fulfill customer equipment needs" as it "supports shippers and railroads alike by providing consistent, quality equipment while reducing cycle time and improving utilization."[9]

30. UP also provides a diagram illustrating the cycle-time benefits of pooling for an illustrated East-West interline boxcar shipment, which is reproduced in Figure 1 below.

[9] Union Pacific, *North American Boxcar Pool*, https://www.up.com/shipping/metals-minerals-forest/boxcar-pool.

FIGURE 1
UP ILLUSTRATION OF BENEFITS FROM POOLING FOR EAST-WEST INTERLINE RAIL MOVEMENTS[10]



Sample Transits	Non-NABP Equipment	NABP Equipment
A to B - Loaded Transit	5 days	5 days
B to C - Loaded Transit	10 days	N/A
C to B - Empty Transit	6 days	N/A
Directive Fulfillment	N/A	10 days
Total	21 days	15 days
Total NABP Cycle Savings		6 days

31. UP notes that "[o]n average, NABP cycle times are six days shorter than non-pooled boxcars. With increased turns per year, boxcars haul more, offering more load opportunities."[11] This is an illustration of two of the points I made above. NABP, like other equipment pools, *already* mimics the way a transcontinental railroad might try to achieve equipment efficiencies through triangulation; instead of moving an empty boxcar from California back to the East, NABP can direct empty equipment to Eastern loadings from closer locations. In other words, a UP-NS merger is not needed to achieve these equipment benefits. Further, if its planned transcontinental scope is achieved, UP-NS will have less need of the current pooling arrangements that have served the greater industry so well.

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10 *Id.*

11 *Id.*

32. The NABP supports almost [redacted] of CPKC's U.S. loaded boxcar shipments, including what originates on-line and on shortline railroads with which CPKC connects.[12]

IV. THE UP-NS MERGER WILL THREATEN THE BENEFITS FLOWING FROM THESE EQUIPMENT POOLS

33. Along with the changed incentives that come with its acquisition of NS and its plan to create a go-everywhere transcontinental rail network, UP would have substantial ability to disrupt and degrade the benefits of pooling for other pool participants and the interline rail network. The ability to disrupt the efficient functioning of these pools would come in at least two forms: (1) an outsized role in demand for pooled equipment that would skew the pools toward supporting UP needs rather than more equitable allocation, coupled with an ability to influence decisions by the pools regarding the rules for allocating pooled equipment among participants and, in the case of TTX, the acquisition of new equipment; and (2) the ability to withdraw either partially or entirely, or threaten withdrawal to obtain concessions within pool governance and operation, fundamentally undermining the efficacy of the pool. I consider these concerns in the sub-sections that follow.

A. The UP-NS Merger Will Give UP Inordinate Influence over Key Functions of These Vital Railcar Pools

34. As a starting point, with or without Applicants' claims of merger-related traffic growth, UP would play an outsized role in demand for pooled equipment. By combining UP and NS into a single network, the proposed Transaction would disrupt other railroads' access to pooled equipment simply by reason of UP-NS's size and the sweeping changes in traffic flows that Applicants intend to bring about. Applicants' stated objective is to create a single-line

[12] *See* workpaper "(HC) 2025 Boxcar Waybills."

network spanning much of North America and to shift onto that network much traffic that today moves in interline service. Pooled equipment follows traffic. Any meaningful shift in traffic densities and routings will drive changes in car supply and fleet distribution, with impacts on each participating railroad's ability to secure its share of pooled assets.

35. With the massive increase in the size of the UP network, coupled with Applicants' plans to divert traffic to and increase traffic on that network, pooled cars would inevitably spend more of their time on the merged network and less on other railroads. Pooled equipment—intermodal well cars, centerbeams, multi-levels, and boxcars alike—could spend a greater share of its time in UP/NS service, reducing the number of cars that are available to cycle back to markets served by CPKC and other railroads. Participating railroads would find it more difficult to obtain their proportional share of equipment during periods of peak demand, precisely when their customers need cars most.

36. Both UP and NS already account for a very large share of the utilization of TTX pooled flatcars, a share that would be aggregated as a result of their merger. And with the claimed 1.55 million additional intermodal loadings that underpin their Application, the UP-NS share of intermodal equipment would increase markedly.

37. In addition to being positioned to gain a dominant position as a user of TTX and other pooled equipment, UP would gain the ability to influence the activities and distribution rules for those pools in ways that furthered its own interests to the disadvantage of the equitable functioning of the pools for the industry as a whole. As noted above, the interests and incentives of UP and NS would be changed by the merger. Today, UP has strong incentives to support access by all eastern carriers to pooled equipment to support East-West interline traffic, and NS has strong incentives to support access by all western carriers to pooled equipment. After the

merger, UP and NS would focus far more on traffic moving "single-line" on their new transcontinental network, and be less interested in the other eastern and western carriers (including CPKC) having efficient access to pooled equipment to support their competition with UP-NS.

38. One illustration of this involves the flow of autorack equipment. Today, UP is predominantly a terminating road for automotive traffic moved in railcars that are part of the Multilevel Pool. NS, meanwhile, is predominantly an originating carrier for such automotive traffic. UP has incentives to deliver its surplus of empty cars to whichever eastern carrier (CPKC included) needs them for loading, while NS has incentives to support the movement of loaded cars to whichever western carrier (CPKC included) can most effectively deliver them to destination unloading ramps. Those incentives will change with the merger as UP-NS will have strong incentives to keep pooled equipment for itself, or transition away from pooled equipment altogether, using its own nationwide network to attempt to replicate the kinds of triangulation efficiencies that pooling already enables today. The bottom line is that post-merger UP will have less interest in the pools operating efficiently.

39. Although the precise manner in which these incentives affect the pools in the short and long run is somewhat hard to predict, it is not hard to see how post-merger UP-NS would be both motivated and able to skew outcomes in ways that undermine the efficient and fair operations of these pools.

1. UP Would Have Inordinate Influence at TTX Even if Its Post-Merger Ownership Were Reduced to 49%

40. The proposed Transaction raises profound concerns for the governance and equitable operation of TTX's flatcar and boxcar pools. If UP acquires control of NS, it will gain not only NS's rail network and traffic, but also NS's equity stake in TTX Company. That

increase in UP's ownership share would give UP disproportionate influence over TTX's decision-making, which is influence that could be used—intentionally or not—to tilt the playing field in UP's favor at the expense of the other pool participants. Below, I explain how TTX's governance works in practice and why any material increase in UP's ownership position poses a serious risk to today's cooperative pooling arrangements, even if UP's equity or voting interest in TTX remained under 50%.

41. TTX's current and potential future ownership structure is reflected in Table 2 below. Were the Board to impose no condition affecting that structure, the post-merger allocation of shares would be that set forth in the post-merger column, with UP holding an *outright 56.8% majority* of TTX stock. Under TTX's charter each TTX owner-appointed director casts a number of votes equal to the number of shares held by the owner that appointed him or her, meaning that a 56.8% owner would have *outright control* of all decisions within the discretion of the TTX board.

TABLE 2
PERCENTAGE OWNERSHIP OF TTX[13]

TTX OWNER	OWNERSHIP SHARES TODAY	OWNERSHIP SHARES POST-MERGER	OWNERSHIP SHARES WITH UP AT 49% (W/PROPORTIONATE INCREASES FOR OTHER OWNERS)
UP	37.03%	56.81%	49.00%
NS	19.78%		
CSXT	19.78%	19.78%	23.36%
BNSF	17.40%	17.40%	20.55%
CN	3.20%	3.20%	3.78%
CPKC	2.20%	2.20%	2.60%
FXE	0.60%	0.60%	0.71%

42. Applicants have said they will divest, at some point in the future, sufficient TTX shares to reduce their combined post-merger ownership interest from 56.81% to 49% following approval of the proposed Transaction.[14] As I explain below, whatever mechanism Applicants may ultimately propose to use to accomplish that reduction, the result would be the same: UP would emerge from the merger controlling the voting power associated with either a majority of TTX's stock or 49%—the latter representing an increase of roughly 12 percentage points above UP's current 37.03% stake.

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[13] Rev. App. at 1-87 (current ownership percentages); post-merger percentages and percentages assume proportionate redistribution to reduce UP's ownership to 49% calculated by CPKC. The table shows ownership percentages, not percentages of total board votes. Management directors collectively hold 250 additional board votes. At 49% ownership, UP would hold approximately 48.24% of total board votes if divested shares were transferred to other owners, or 48.10% if TTX repurchased and retired shares. UP-68/NS-66 at 50, 53-54.

[14] *See* Applicants' First Submission in Response to Decision No. 21 (UP-68/NS-66) (filed July 7, 2026) at 47.

43. Applicants assert that, at 49%, UP would not have the ability to "unilaterally approve, or even block" a matter submitted to the TTX board or shareholders.[15] That is cold comfort. As I explain below, at 49% UP would need the support of only one of TTX's smaller owners not named FXE to carry or block any matter decided by majority vote. Further, no share cap could address the second source of UP's post-merger leverage—its greatly enlarged share of pool usage—which would remain regardless of how many shares UP ultimately holds.

44. Applicants also assert that, no matter how much of TTX's stock UP owned, TTX's pooling activities would continue to be governed by the pooling agreements approved by the Board, and thus constrained by the authorized structure of those pooling arrangements. That is true, but as I also explain below, TTX's pooling agreements leave key decisions about how the pool operates in the hands of TTX's board of directors. I begin by addressing this point in sub-section (a) below.

(a.) The TTX Board of Directors Makes Key Discretionary Decisions Within the Framework of TTX's Governing Pooling Agreements

45. TTX's intermodal, flatcar, and boxcar pools operate under a set of pooling agreements that establish the basic framework for the pooling arrangements, including general principles regarding the kinds of cars TTX will acquire, the manner in which they will be shared, and how TTX will set prices. These pooling arrangements required Board authorization, and UP is therefore correct that TTX would have to continue abiding by them.

46. But the pooling agreements do not—and cannot—specify every important operational and strategic decision that TTX must make on an ongoing basis. Significant areas of

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[15] *Id.* at 60.

discretion remain, and those decisions are made by the TTX Board of Directors and its committees. The TTX Board's discretionary authority reaches the decisions that matter most to a pool participant's day-to-day access to the railcars it needs to meet customer demand. These include (a) what types of railcars, and how many, TTX will acquire, retire, rebuild, or repurpose for each fleet; (b) rates, charges, orders, and regulations applicable to pooled flatcars; (c) rules and formulas for how TTX railcars are allocated among participating railroads, through what TTX calls "equity" or "entitlement" to a share of pool capacity; (d) the rules governing where and how TTX railcars are shifted among participating railroads, including each railroad's obligations to deliver empty cars to other participants; and (e) the rules governing how long a TTX railcar may remain idle on one railroad awaiting a load before it must be released or moved to another participant that needs it.

47. The first consequential area of TTX Board discretion involves decisions about what kinds of railcars to acquire, in what quantities, and on what timeline. These are not mechanical calculations. They require judgment about projected demand by car type, the age and condition of the existing fleet, the relative needs of different participants, the availability and pricing of new equipment from railcar manufacturers, and the overall capital budget TTX can support. Each of these decisions has a direct impact on which railroads will have access to which types of cars, and in what volumes.

48. The management of the pool flatcars is under the direction of TTX, and no one railroad participant shall have any preferred right to the use of any pool flatcar over any other railroad participant. The rules do allow, however, for special arrangements to be approved by the TTX Board of Directors. It is possible with UP-NS's outsized ownership and Board position that they could drive special arrangements to their sole benefit.

49. Once the number of railcars in TTX's fleet is determined, the next critical area of TTX Board discretion involves establishing the rules and formulas that determine what share of that fleet each participating railroad is entitled to. The concept of entitlement is central. Entitlement refers to a set of rules, established and periodically revised by TTX, that determines how many pooled railcars of a given type each participating railroad is "entitled" to have on its network, based on that railroad's past loadings and other factors determined by TTX. When cars are scarce, a railroad's entitlement effectively determines its share of the available fleet. That access is critical to meeting customer demand and competing for new business, and even modest changes to the entitlement calculation can shift a meaningful number of cars among railroads.

50. The TTX Board also exercises tremendous discretion regarding how TTX railcars are priced, and the incentive structures governing the utilization of those cars by participating railroads.

51. Finally, the TTX Board exercises discretion over the rules governing how TTX railcars are "distributed" from one railroad to another outside of the routine movement of railcars in interchange service. Distribution rules determine which railroad has priority access to available cars when demand exceeds supply—a situation that arises regularly during peak shipping seasons, during supply chain disruptions, or when a particular car type is in short supply due to fleet age or deferred investment. By determining how promptly cars must move from one railroad to another, and where on the receiving railroad's network cars may be delivered, these rules can have significant effects on the efficiency of TTX railcar distribution. These rules can meaningfully affect a railroad's ability to meet its customers' needs and to compete for new business.

52. A good illustration of the range of discretionary decision-making by the TTX Board is the set of rules and policies set forth in the "Car Contracts" that memorialize the distribution and pricing rules. The TTX "Form A" Car Contract governs TTX's intermodal and flatcar pooling. It includes the original core agreement and "Supplements." The Railbox pool is governed by the "Form BX" Car Contract, which also includes the original agreement and operative "Supplements." The Board has made clear that, "while any amendment or modification to the TTX Pooling Agreement itself would require [the Board's] prior approval, changes in TTX's car contracts and other policies that are consistent with the terms of its approved Pooling Agreement need not separately be approved."[16]

53. In CPKC's experience with TTX, these decisions are generally made collaboratively, with input from all participating railroads, with a goal of making the pool work for all participants. The current governance structure—in which equity ownership, Board representation, and railcar utilization are widely distributed—helps ensure that no single railroad can dictate outcomes. But that balance depends on maintaining a reasonable distribution of ownership and influence among the participants. If one railroad's share of ownership and Board influence grows substantially, the collaborative dynamic that has served the industry well could be undermined.

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[16] *TTX Co. – Application for Approval of Pooling of Car Service with Respect to Flatcars*, 7 S.T.B. 778, 788 (2004).

(b.) Any Increment to UP's Already-Large Share of TTX's Stock Would Distort TTX's Decision-Making in UP's Favor

54. UP is already the largest single shareholder in TTX Company. Its current shareholding position—approximately 37.03% of TTX's outstanding shares[17]—already gives UP significant influence over TTX's governance and strategic direction. On the TTX Board and its committees, UP's voice carries considerable weight, both because of its ownership stake and because of the sheer volume of its car utilization.

55. The voting implications of UP-NS having an outright majority of shares, or even a 49% ownership stake as proposed, while also being by far the dominant user of TTX pooled equipment, would be substantial. Because each owner-appointed TTX director votes the number of shares held by the owner that appointed him or her, and management directors collectively have an additional 250 board votes, at 49% UP would need the support of owners holding just over *one additional percentage point* of TTX's shares for a shareholder majority, or approximately two additional percentage points for a board majority, on matters subject to simple-majority approval. As shown in Table 2 above, all but one of TTX's other remaining railroad owners could supply that margin. For example, UP together with CN, which currently holds approximately 3.2% of TTX's shares, would control more than 51% of total board votes and more than 52% of shareholder votes.[18] And UP has a close commercial relationship with Ferromex ("FXE"), holding a minority interest in the company and having a seat on the FXE

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[17] Applicants' First Submission in Response to Decision No. 21 (UP-68/NS-66) (filed July 7, 2026) at 49.

[18] *Id.* at 50.

Board of Directors. With FXE holding approximately 0.6% of TTX's shares, the two would together hold nearly 50% of shareholder votes if FXE voted with UP.[19]

56. If UP acquires NS, it will add NS's equity stake in TTX to its own, creating a combined ownership position that would far exceed that of any other participant. At the same time, the merged entity's share of all usage of TTX cars would increase substantially, further amplifying UP's leverage in discussions about fleet investment priorities, car distribution, and entitlement rules. The result would be a fundamental shift in the balance of power within TTX. That is so even if UP's ownership stake were reduced to 49%: the combined railroad's share of pool usage would be unaffected by any share divestiture, and, as shown above, a 49% owner would remain the pivotal voice on virtually every decision that TTX's Board makes.

(c.) UP's Post-Merger Influence on TTX Decisions and Policies Would Not Be in the Public Interest

57. This elevated influence over TTX decisions and policies matters because, as outlined above, UP would have incentives to use that influence to skew TTX's decisions in its favor. Specifically, a post-merger UP would have incentives to steer TTX's railcar acquisition program toward the car types and specifications that best serve UP's network and traffic mix—potentially at the expense of investment in equipment that other participants need. Or worse, it could decline support for investments by TTX in railcars that other participants needed, opting instead to invest for itself in UP-marked railcars that could more easily be confined to UP's go-everywhere nationwide network.

58. UP would also have incentives to push for distribution and entitlement rules that increase UP's priority call on pool cars, particularly during periods of tight supply. For example,

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[19] *Id.*

a post-merger UP could press TTX to calculate entitlement based on each railroad's *forecasted* demand rather than its historical loadings—a change that would reward the merged railroad's projections of traffic growth on its new single-line routes and shift cars away from railroads whose entitlement rests on demonstrated past use. UP could seek to relax the rules governing how swiftly a participant must move an idle railcar off of its lines to another participant (consistent with TTX's bedrock 5-day turnback principle), allowing UP to hold a larger reserve of pool cars at the expense of railroads that need those cars to serve waiting customers. UP could also seek changes to the rules governing where other railroads must deliver empty cars to UP, requiring them to haul empties to distant UP-preferred interchange points rather than to the nearest efficient location.

59. In any cooperative arrangement, the participant with the most influence has the greatest ability to shape the rules in whatever manner it thinks would best serve its parochial interests. The TTX pooling model works today precisely because it has historically maintained a reasonable balance among participants. Allowing UP to accumulate a disproportionate share of ownership and influence would erode that balance, to the detriment of CPKC and every other railroad that depends on TTX for fair and efficient access to railcar supply.

(d.) UP's Proposal to Sell Shares Is Not the Right Solution

60. No matter what conditions the Board might impose on the UP-NS merger, its impact on railcar pooling arrangements like TTX will undermine the value of those pools simply because of UP's extraordinary size and reduced incentives to support the continued viability of an interline rail network serving the United States. If the Board nonetheless approves the proposed merger, it should impose conditions designed to prevent UP from leveraging its increased size and ownership stake to gain disproportionate influence at TTX. Below, I explain

why UP's own proposal to address this concern is inadequate, and I describe governance-related conditions that would be a better alternative.

61. As discussed above, UP has proposed to divest a portion of its post-merger TTX shares in order to reduce its combined ownership interest to 49%, invoking the process set forth in TTX's Restrictive Stock Transfer Agreement (which the parties refer to as the "Buy/Sell Agreement").[20] UP's stated preference is to complete that divestiture simultaneously with consummation of the merger, but it has acknowledged that it may be unable to do so.[21] In that event (one that is likely in my view), UP would proceed with the merger while continuing to work toward divestiture on an open-ended, post-closing basis. In the alternative, UP has offered to accept a Board-imposed condition placing the excess shares with an "Independent TTX Transferee," or a condition requiring UP to vote its excess shares in accordance with the majority of the other TTX owners.[22] In CPKC's view, none of these "options" constitutes an appropriate remedy.

62. First, TTX's other pool participants should not be required to pay money to solve a problem of UP's own creation. The concentration issue arises solely because UP proposes to acquire NS and thereby combine its 37.03% stake with NS's 19.78% stake, producing a combined 56.81% interest in TTX. If TTX itself or one or more of the railroads acquires the excess shares under the Buy/Sell Agreement, TTX or existing pool participants would be forced to divert real capital from their own operations to remedy the problem that UP has created by pursuing this ill-conceived merger.

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[20] Applicants' First Submission in Response to Decision No. 21 (UP-68/NS-66) (filed July 7, 2026) at 52-58.

[21] *Id.* at 52.

[22] *Id.* at 56-58.

63. To be fair, nothing about UP's proposal would—or could—force TTX or another participating railroad to acquire UP's excess equity.[23] UP's proposal expressly contemplates that, if TTX or the other existing owners decline to buy at [redacted] UP may sell to "any third party" that agrees to become a party to and be bound by the Buy/Sell Agreement.[24] But there would be extraordinary pressure on TTX and its participants to acquire the stock being offered by UP, because the consequences of a non-participant third party holding TTX equity and potentially participating in TTX decision-making at the board of directors level would be unacceptable. TTX's flatcar and boxcar pools are agreements *among railroads,* each of which has a compelling interest to have the pool serve its interest in providing the "car service" upon which its rail operations depend (even if UP's carrier interests may be divergent post-merger). A private equity or other investor likely would have very different desires for TTX's operations, which would be at a minimum in tension with the core principles of TTX's pooling arrangements. Introducing a shareholder whose interests are likely purely financial would be inconsistent with TTX's cooperative pooling model and would inject a new and misaligned set of incentives into TTX governance. In CPKC's view, TTX shares should not be held by entities other than active pool participants.

64. Second, if UP did end up needing to sell to a third party, there would be no clarity as to when or how such a transaction might take place. UP has said that it would be entitled to sell on "commercially reasonable terms," and UP has told the Board that "commercially reasonable" means whatever price a "prudent railroad company would consider fair and

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23 If it did so, the transaction would be priced at [redacted] *Id.* at 47, 55.

24 *Id.* at 54.

workable," judged against market standards that UP itself would apply.[25] That is a *subjective*, seller-defined standard, which gives UP wide latitude (just as UP would have wide latitude with respect to the terms it sets for interline rail traffic subject to its proposed "keep gateways open" commitment).

65. Third, UP's proposal is not backed by a firm, enforceable deadline. UP's preferred sequence is aspirational, and UP has conceded that the inherent uncertainties of the process may prevent it from meeting that goal. In that event, UP proposes to consummate the merger while merely continuing to "work toward" divestiture, with no outside date.[26] Given the multi-step nature of the Buy/Sell Agreement, which includes a [redacted] day TTX exercise period, followed by a [redacted] day owner exercise period, followed by a [redacted] day third-party sale window, [redacted][27] A less-than-diligent process could stretch indefinitely. Throughout that period, UP would retain the full UP/NS combined 56.81% ownership interest and the associated influence over TTX Board decisions, fleet-acquisition planning, and pool-management rules.[28]

(e.) Governance-Related Conditions Would Be a Better Option

66. Rather than relying on an uncertain and potentially ineffective share-divestiture process, the Board should impose governance-related conditions that directly address the risk of UP gaining disproportionate influence at TTX. The most straightforward approach would be to condition the Board's approval of the proposed merger on the requirement that UP wield no

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25 *Id.* at 55.

26 *Id.* at 52.

27 *Id.* at 53-54.

28 *Id.* at 47.

greater influence on the TTX Board of Directors or within any other TTX decision-making body than it wields today, prior to the proposed Transaction.

67. In practical terms, this would mean that UP's voting power, Board representation, and committee participation at TTX should be capped at the levels corresponding to its current 37.03% share of TTX stockholdings and (to the extent a greater share of usage would entitle UP to greater influence) UP's pre-merger share of usage of pooled TTX equipment. In other words, even if UP's combined post-merger ownership stake and car usage increase by virtue of the merger, its governance influence at TTX should remain fixed at the levels in effect prior to the proposed Transaction. This cap would prevent UP from translating its increased economic position into increased decision-making power within TTX.

68. The approach I propose is not novel. It is essentially the approach Applicants themselves have proposed for TRRA. There, Applicants have committed to ensure that UP/NS will not control TRRA, and they have assured the Board that none of their proposals "would give UP/NS greater rights with respect to TRRA than UP currently has."[29] Applicants have also acknowledged that separating economic rights from voting rights to preclude a majority shareholder from exercising control is "a common, well-accepted practice under corporate law."[30]

69. If freezing UP's governance influence at its current level is a workable and appropriate solution at TRRA, where UP currently holds 42.84% of the shares, there is no reason it cannot be applied at TTX, where UP's current stake is 37.03%. Yet at TTX, Applicants propose to cap UP's influence not at its current level, but at 49%. Applicants offer no

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29 *Id.* at 7.

30 *Id.* at 32.

explanation for this inconsistency. The Board should apply to TTX the same principle Applicants have endorsed for TRRA: UP's governance influence after the merger should be no greater than it is today.

2. UP Would Have Inordinate Influence at the Multilevel Pool

70. The Multilevel Pool is governed by its signatory railroads through the framework established by the Multi-Level/Auto Parts Car Pooling Agreement. Policy-level decisions are made by an Executive Committee composed of one representative designated by each signatory railroad, with each railroad having [redacted] Decisions are ordinarily made by a [redacted] Amendments to the Agreement itself require a [redacted] of all Executive Committee members. Day-to-day management of centralized distribution is carried out through steering committees, most prominently the Reload Carrier Steering Committee ("RCSC"). The RCSC's by-laws similarly give [redacted] to each participating signatory railroad and require a [redacted] vote of members present to take action.

71. Were UP to acquire control of NS, the two railroads' memberships should be combined into a single member with a single vote. Absent such a condition, two independent voices on the Executive Committee and on each steering committee on which both railroads now sit would come under the control of a single railroad.[31] At the same time, the merged railroad would come to account for a substantial share of the automotive-related traffic and pool contributions on which the pool's fleet-size, distribution, and contribution recommendations are

[31] CPKC participates in the Multilevel Pool through two separate carriers—Canadian Pacific and Kansas City Southern de México ("KCSM")—because of KCSM's distinct regulatory status within Mexico, just as the other Mexican carrier, FXE, is represented on the Multilevel Executive Committee. There is no similar rationale for UP and NS maintaining separate memberships.

based. The result would be a meaningful concentration of both formal voting power and practical influence over key Multilevel Pool decisions, including decisions about optimum fleet size, distribution rules, and pool administration, in the hands of a single participant, on a scale that no other member of the pool would come close to matching.

72. The merged railroad's commercial position in automotive traffic compounds this concern. UP is currently the largest terminating railroad for automotive traffic, while NS is the largest originating railroad. Combining the two would give the merged entity a dominant position across the automotive rail market that it could use to leverage shippers onto its network through commercial rate actions and the bundling of business.

73. The Board should therefore condition any approval of the proposed Transaction on combining UP's and NS's memberships in the Multilevel Pool into a single member with one vote. As I explain below, the merged railroad's dominant position in automotive traffic also creates a risk that it would withdraw from the Multilevel Pool or materially reduce its contributions, and the Board should require sufficient advance notice to allow other participants to respond.

3. UP Would Have Inordinate Influence at the North American Boxcar Pool

74. The same concentration problem arises at the NABP. Unlike the Multilevel Pool, in which each member has one vote, voting in the NABP is weighted by each participant's contribution of cars to the pool. Combining UP's and NS's contributions would give the merged railroad [redacted] of the pooled fleet, and a corresponding share of the vote. Further, because UP holds an ownership interest in, and exercises meaningful influence over, FXE, a combined UP/NS acting together with FXE would account for more than [redacted] of the pooled fleet.

[redacted] No other participant would come close, as shown in Table 3 below.

TABLE 3
PERCENTAGE OF CONTRIBUTIONS TO NABP[32]

[redacted]

75. A merged UP could then shape the NABP's distribution, contribution, and car-hire rules to fit the needs of its own network, to the detriment of every other railroad that relies on the pool to serve its boxcar shippers. The Board should therefore condition any approval of the proposed UP-NS merger on UP voting no more than its current [redacted] contribution share in any vote respecting the NABP.

[32] In NABP 60FT High Capacity National Pool. *See* workpaper "(HC) NABP Network Report," containing data as of November 11, 2026.

[redacted]

B. The Board Should Require Advance Notice of Material Reductions in Contributions to the Multilevel Pool and NABP and Separately Protect the Integrity of TTX's Fleets

76. In addition to the inordinate influence UP-NS would have over the railcar equipment pools, the potential that a merged UP-NS would withdraw equipment from the industry's pools, or seek to dissolve TTX's pools, would also impair the efficiency of the interchange rail network and other railroads' ability to serve their customers. These risks would be difficult for the Board to police given the divergent interests of UP-NS (focused on its closed-loop single-line offerings) and the other participants (which would continue to have stronger interests in the interline rail network). But if the Board approves the proposed merger, it should impose conditions that provide protection from actions by UP-NS that would disrupt the efficient functioning of these pools. Because the nature of the risk and appropriate safeguards would differ between the two contributory pools—the Multilevel Pool and NABP—and the TTX pools comprised only of TTX-owned/leased equipment, I address them separately.

1. UP Should Be Prohibited from Causing a Dissolution, Unwinding, or Dismantling of the TTX Flatcar and Railbox Pools

77. The flatcar and boxcar pools comprise railcars that are owned and managed by TTX, and the continuing vitality of interline railroading depends on the continuing availability of these pooled car fleets to all pool participants across the interconnected rail network. Although Applicants do not appear to have any immediate plans to withdraw from the TTX pools, for reasons I have explained their long-term interests would be less aligned with continued participation in the pools or their viability for other participants.

78. It is not at all clear how a UP-NS withdrawal from the TTX pools would work, including whether it would mean that some portion of the fleet would be transferred to those merged railroads, or whether it would involve the dissolution of the pools entirely. What is clear

is that any such step would be massively disruptive and significantly undermine the ability of these pools to function, especially if the fleets were pared back significantly, and the geographic boundaries of pooled fleet usage were shrunk to remove the UP-NS network.

79. The Board should condition any approval on Applicants not causing or procuring the dissolution, unwinding, or material dismantling of those fleets, including through a transfer or restructuring that would reserve a material portion of the equipment for Applicants' exclusive use and undermine its availability to other participating railroads. That protection should operate independently of any restrictions on Applicants' use of their post-merger ownership, voting rights, and other influence at TTX. Both sets of protections are necessary to preserve the equipment access on which other railroads and their customers depend.

2. UP-NS Should Be Required to Provide Advance Notice Before Drawing Down Its Position in Contributory Equipment Pools

80. The Multilevel Pool and NABP are contributory pools, meaning that unlike in the TTX pools, railroad participants contribute their own equipment to the pools, and as a result they can also choose to remove that equipment from the pools. Under current pool rules, NABP participants must provide [redacted] to withdraw equipment. The Multilevel Pool's rules [redacted] That degree of flexibility makes good sense today, when all pool participants are motivated to support the overall efficiency of these pools. Were that no longer the case—as will be true in the event UP and NS are allowed to merge—these existing arrangements would not give CPKC and the other participants nearly enough time to respond to a substantial withdrawal by a railroad of the combined UP-NS's size. Procuring additional equipment and making other adjustments to ensure that customers' car supply needs are met would require much more time.

81. Because of the scale of UP and NS, a material post-merger reduction in their contributions to the Multilevel and NABP fleets would have adverse impacts on the ability of these pools to support the loading needs of remaining participants. Even though a withdrawal of equipment by UP-NS might reduce the loading demand on the fleet while it simultaneously reduces the number of railcars in the fleet, the pool's efficiencies depend on scale and on the breadth of the network over which cars can be redistributed. A substantial withdrawal could require the remaining participants to acquire more cars and haul them farther, increasing costs and impairing service for their customers. It would take substantial time for remaining pool participants to make the investments necessary to augment the pooled fleet upon a UP-NS drawdown of their contributions.

82. The Board should impose a notice obligation that would provide pool participants with a reasonable opportunity to adjust their own contributions to the pool in response to drawdowns by UP-NS. I believe that 18 months' advance notice would be necessary to allow sufficient time to procure replacement equipment, negotiate alternative supply arrangements, and adjust operations to protect customer service. The notice requirement should be triggered by any material reduction in UP-NS's contributions to the pools, which I would regard as a withdrawal of five percent or more of the railcars UP-NS contributed to either pool, whether accomplished in a single action or through a series of related reductions. Applicants should provide notice to the Board, the pool administrator, and all other pool participants identifying the equipment affected, the extent of the proposed reduction, and its anticipated timing. The proposed withdrawal or reduction should not take effect during the notice period.

83. This notice requirement would also permit affected participants to seek Board review and appropriate relief before a proposed reduction takes effect. The notice requirement

should not be treated as a determination that every proposed reduction is permissible or as limiting the Board's authority to address its competitive or operational consequences.

APPENDIX A: TTX EQUIPMENT OVERVIEW[33]

TTX states that its railcar fleet is concentrated in three principal categories: flatcars (consisting of both intermodal wells and other types of flatcars), boxcars, and gondolas. TTX reports approximately 23,000 boxcars and gondolas, while flatcars and intermodal wells comprise the largest portion of its fleet, with approximately 110,000 cars/wells. TTX also states that it continuously models fleet utilization, repurposes idle assets, and modifies or acquires equipment in response to market demand and input from member railroads.

1. **Intermodal Equipment**. TTX supplies both double-stack and conventional intermodal equipment. Its double-stack fleet includes articulated cars designed to carry international and domestic containers; TTX states that it supplies more than 127,000 wells of double-stack capacity. Its conventional intermodal fleet consists principally of articulated spine cars used for trailers and containers, as well as 89-foot solid-deck intermodal flatcars.

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[33] *See* TTX Company, *Equipment*, https://www.ttx.com/about/equipment/.

CONVENTIONAL INTERMODAL EQUIPMENT



DOUBLE-STACK INTERMODAL WELL CARS



2. **Automotive Equipment**. TTX's automotive fleet includes multi-levels, uni-levels, and frame flats. Its multi-level fleet includes bi-levels (TTGX), tri-levels (ETTX), convertible-deck cars (CTTX), and articulated bi-levels (BTTX).

   a. TTX explains that, for most multi-level equipment, the railroad owns the autorack structure and TTX provides the underlying flatcar; for BTTX articulated bi-levels, TTX owns both the flatcar and autorack.

b. TTX also supplies enclosed uni-level cars for large vehicles and heavy equipment, as well as 89-foot frame flats used to transport automobile and light-truck frames. As with autorack cars, TTX generally owns only the flatcars underlying the uni-level racks and frame flat appurtenances.

c. The Multilevel pool distributes autoracks and frame flat appurtenances along with the flatcars (not all of which are owned by TTX) to which they are affixed.

AUTORACK EQUIPMENT, INCLUDING BI-LEVELS



FRAME FLATS FOR AUTO PARTS SHIPMENTS



3. **Other Flatcars**. TTX's general-purpose 89-foot flatcars similarly carry large, bulky, and heavy freight, particularly pipe and other primary steel products. TTX states that its heavy-duty fleet includes nearly 20 car types, with capacities ranging from approximately 100 to 370 tons. TTX also maintains several types of specialized flatcars, each designed to carry particular categories of freight.

   a. **Centerbeam flatcars** primarily carry building products, including dimensional lumber, plywood, oriented strand board, and wallboard, but may also carry pipe, steel tubes, and girders.

   b. **Bulkhead flatcars** carry dimensional lumber and primary steel products—including steel plate, pipe, beams, bars, coils, and ingots—as well as heavy machinery.

   c. **Chain tie-down flatcars** transport large or bulky equipment, including agricultural implements, construction equipment, heavy machinery, commercial vehicles, and military vehicles and containers.

d. **Heavy-duty flatcars** are designed for oversized or exceptionally heavy shipments, particularly power-generation and industrial equipment such as boilers, turbines, wind-energy hubs and nacelles, electrical transformers, and pressure vessels.

CENTERBEAM FLATCARS



CHAIN TIE-DOWN FLATCARS



BULKHEAD FLATCARS



4. **Boxcars**. TTX's boxcar fleet includes older 50-foot Plate-C cars and newer 50- and 60-foot Plate-F high-capacity cars. These cars are used to transport weather-sensitive commodities including paper, lumber, food products, steel, appliances, and other manufactured goods.

TTX BOXCARS



VERIFICATION

I, Michael Walczak, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this statement.

Executed on this 18th day of November, 2026.

Michael Walczak