



CONSISTENT & RELIABLE SERVICE INITIATIVES

—
Private Car Inventory Management – STB Discussions
Brad Moore

November 2022

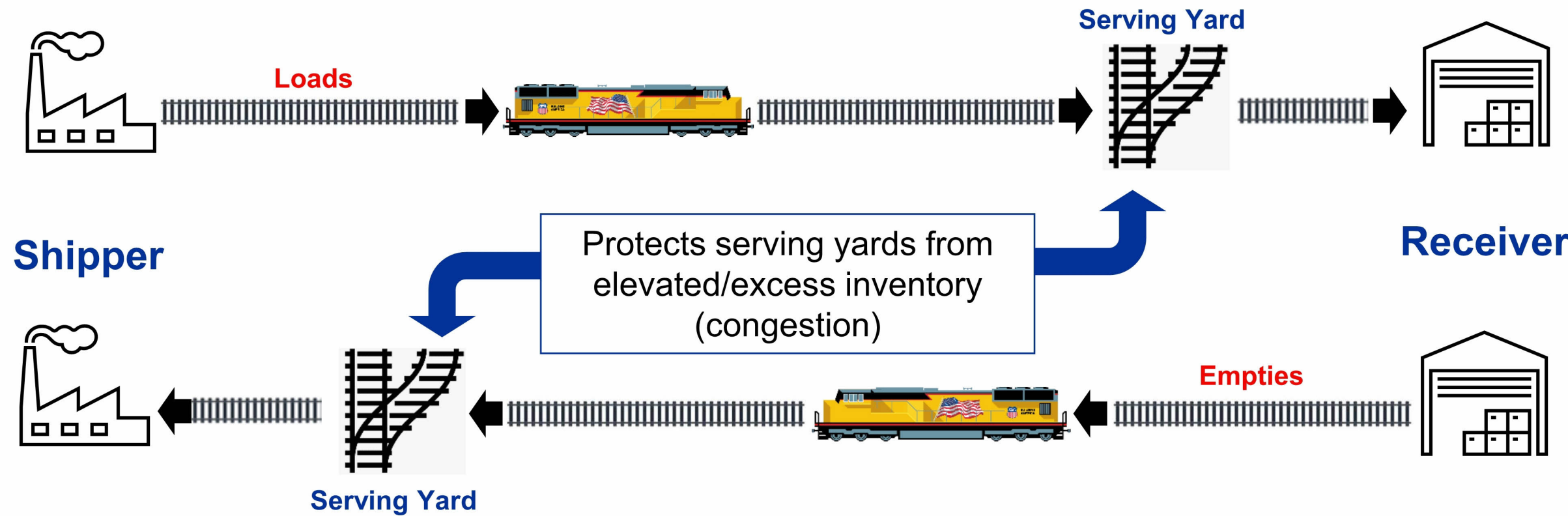


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Private Car Inventory Management

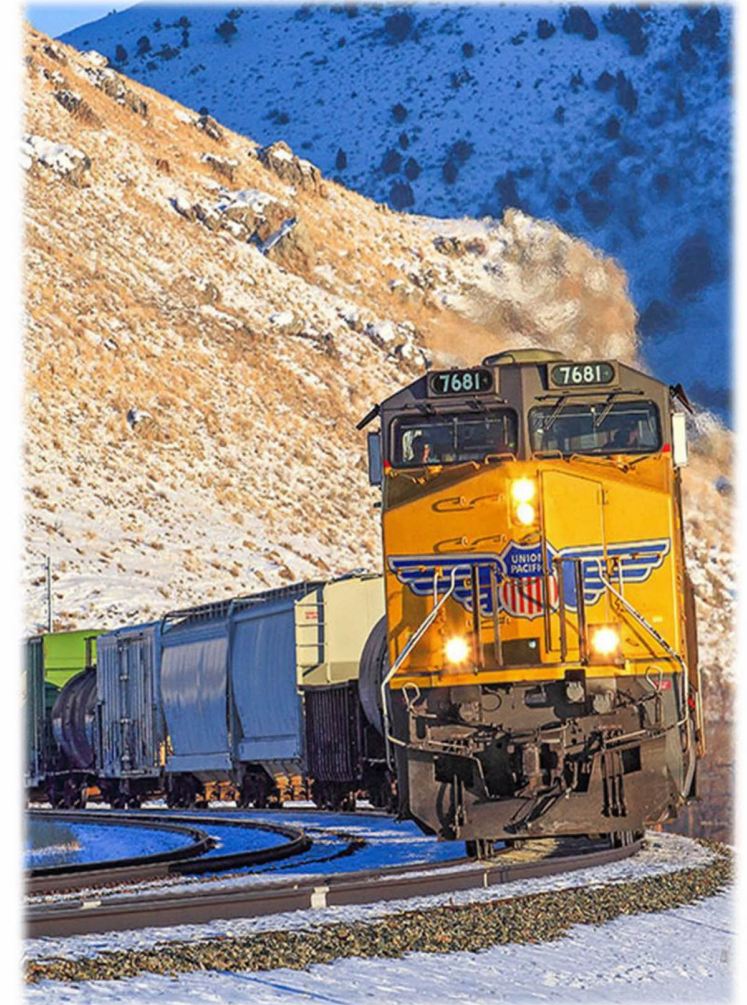
CIMS Process for Elevated Local Serving Area Inventory



Private Car Pipeline Management

CIMS Process for Elevated Customer Owned Car Fleets

- Data driven process to calculate optimum size of customer owned car fleets
- Process originally rolled out in April 2022
- Implemented process modifications summer and fall 2022
- Listened to feedback from our customers, simplified methodology
- Methodology refinements included:
 - Inventory target logic based on avg daily releases and scheduled transit time (with 24-hour buffer as recognition of transit challenges)
 - Ability to review lane specific (origin-destination pair) details or customer parent and plant/facility locations
 - Expanded daily avg release rates from last 7 to last 14 days for a better representation of scheduled car cycles
 - Reduced current inventory counts from 7-day avg to current day (promotes real-time conversations)
 - Replicated customer centricity offered with CIMS for local serving area by granting 7-day self help period



Private Car Pipeline Management

Enhanced Short Term Process for Elevated Customer Owned Car Fleets

We have made significant progress in improving service since the network congestion challenges that we experienced last spring. However, there is more work to do to achieve the service levels our customers deserve and expect. We need to take things to the next level of improvement.

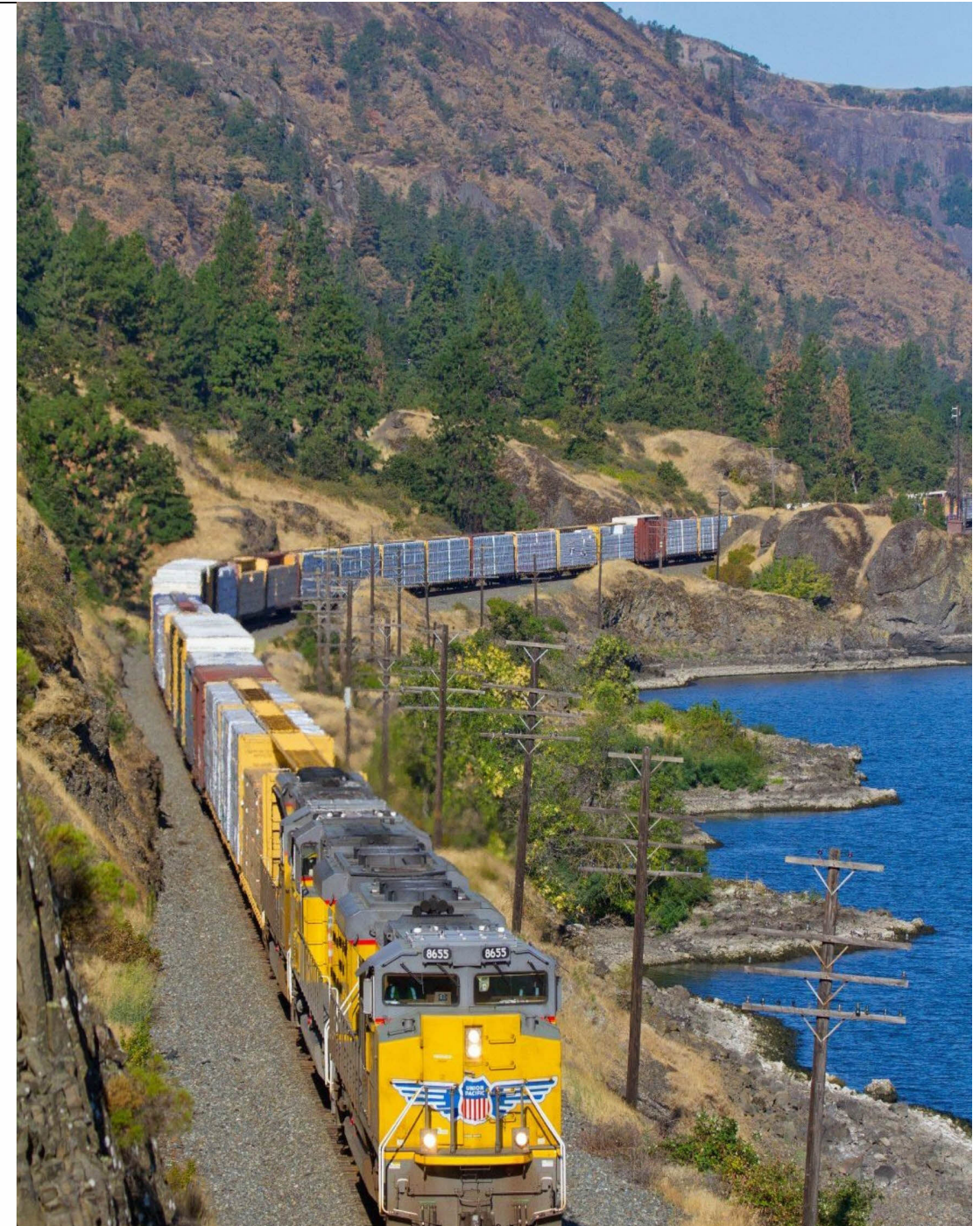
- Beginning the week of November 7th, our plan is as follows:
- Customers will receive the following from Union Pacific:
 - Memo from CC&S on Nov 9th outlining excess inventory numbers and targeted inventory
 - The memo serves as 7-day notification to achieve inventory target
 - Explanation of outcome at end of 7 days if target is not achieved
 - Customer engagement by UPRR Sales Team
- If inventory target is not achieved at end of 7 days:
 - Congestion embargo issued (by AAR rules, embargo takes effect 48 hours after midnight of date issued)
 - No permits granted for first 48 hours of the embargo effective date
 - Permits to be granted post 48 hours of the embargo effective date
 - Start permits at 50% of average daily releases with sequential ramp up
 - We anticipate operating via a permit process for a minimum of 5 weeks



Private Car Management

Desired Outcomes

- Reset network car inventory levels
- Deliver service levels our customers expect and deserve
- Enhance actions to address UP service opportunities
- Alignment between UP and private car shippers on fleet management standards
- Standard process for identifying and addressing excess inventory
- Prevent inventory inflation through diligent monitoring and action when/where necessary
- Increase growth capacity through removal of excess inventory

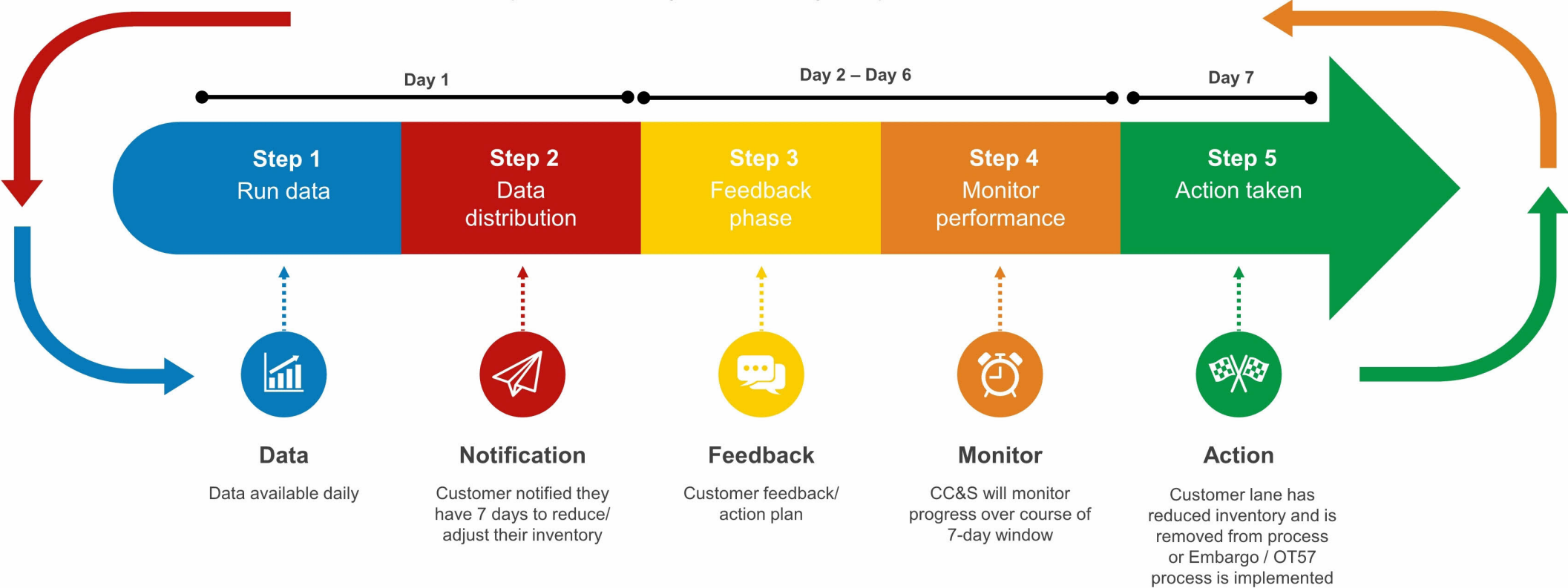


Appendix

Private Car Pipeline Management Process

Process Framework & Timeline

Process outline to determine excessive private inventory at customer plant/facility level and the actions needed to reduce private inventory with accuracy and precision.



Timeline of Events

Customer CIMS Engagements during November 2022

November 2022						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
30	31	1	2	3	4	5
6	7	8	9 Notify Customer	10 Monitor	11 Monitor	12 Monitor
13 Monitor	14 Monitor	15 Monitor	16 Embargo Customer	17 Embargo Not Effective until 11/19	18 Embargo Not Effective until 11/19	19 Embargo Effective 48 Hours No Permits
20 48 Hours No Permits	21 Permit at 50%	22	23	24 Thanksgiving 	25 Black Friday	26 Holiday Weekend
27 Holiday Weekend	28	29	30	1	2	3