



BUILDING AMERICA®

December 6, 2022

Via Electronic Filing

The Honorable Martin Oberman, Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Michelle Schultz, Vice Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Patrick Fuchs
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Robert Primus
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423-0001

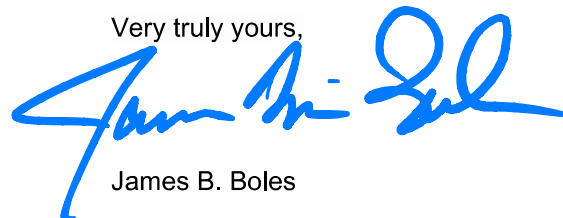
The Honorable Karen Hedlund
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423-0001

Re: STB Docket No. EP 772, *Oversight Hearing Pertaining to Union Pacific Railroad Company's Embargoes*

Dear Chairman Oberman, Vice Chairman Schultz, and Board Members Fuchs, Primus, and Hedlund:

Pursuant to the Surface Transportation Board's November 22, 2022, Order in Docket No. EP 772, Union Pacific is hereby providing the enclosed information to assist the Board in understanding Union Pacific's Customer Inventory Management System (CIMS) and embargoes.

Very truly yours,



James B. Boles

Enclosures

cc: Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings

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EP 772: OVERSIGHT HEARING PERTAINING TO EMBARGOES

—
Union Pacific Document Submission

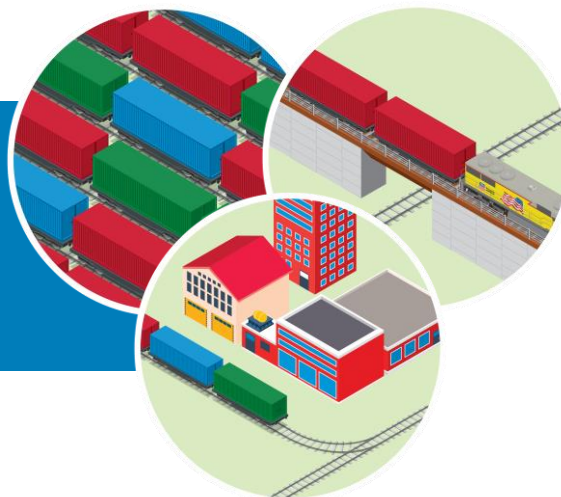
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Definitions: Inventory & Cars per Carload

Gross Inventory

- Count of all revenue service railcars based on a daily 02:00 CST snapshot



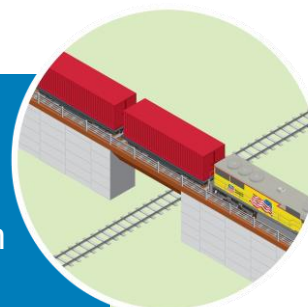
Active Inventory

- Excludes stored railcars



Operating Inventory

- Cars the operation is "touching"
- Excludes stored railcars, cars placed at industry and cars interchanged off-line



Cars per Carload

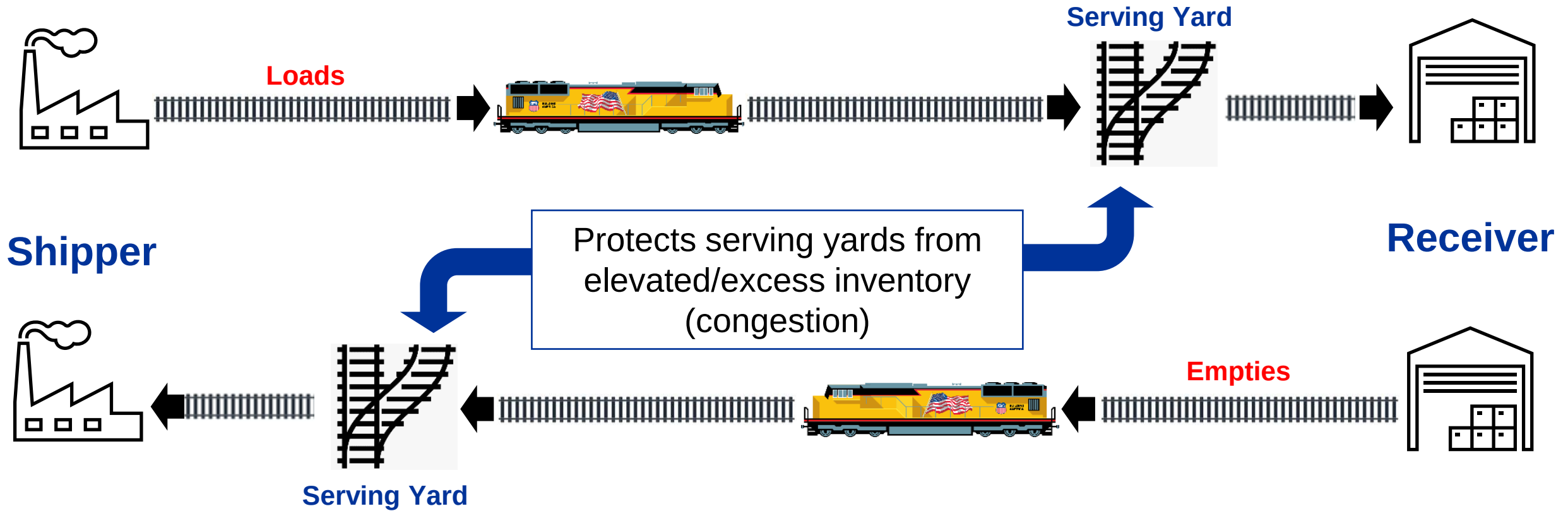
- Operating Inventory required to obtain a single carload of revenue

$$\text{Cars per Carload} = \frac{\text{Operating Inventory}}{\text{Daily Carload Rate}}$$

- Measures efficiency of Operating Inventory relative to carload rate

Private Car Inventory Management

Process for Elevated Local Serving Area Inventory



CIMS Process for Elevated Local Serving Area Inventory

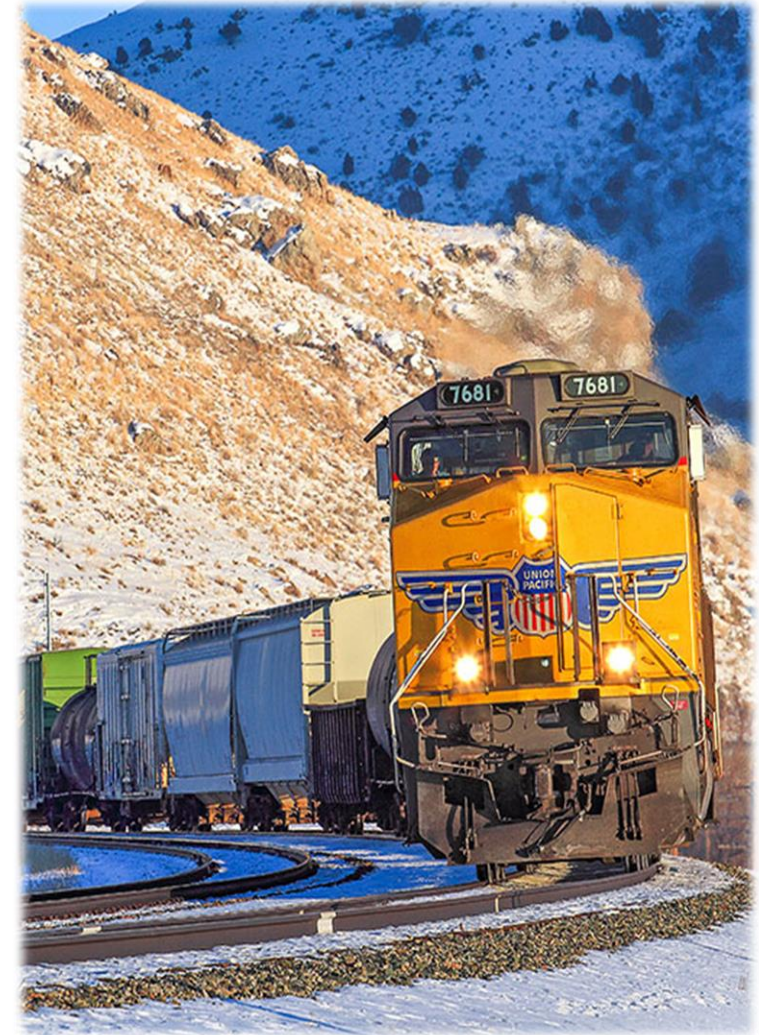
- CIMS process evaluates current inventory in two areas:
 - Cars in the serving area
 - Enroute cars expected to arrive within 4 days
- UP worklists entered for locations where 14-day Industry Spot Pull is less than 80%.
- Customer worklist starts when Customer's inventory exceeds its consumption rate, and it will take more than 3 days to work off Customer's inventory in excess of the Maximum Inventory Threshold.
- Customers notified of worklist and requested to adjust inventory within 7 days (increase consumption or reduce inbound flow).
- CIMS is designed to protect customer supply chains & UP serving yard to enable consistent and reliable service.



Private Car Pipeline Management

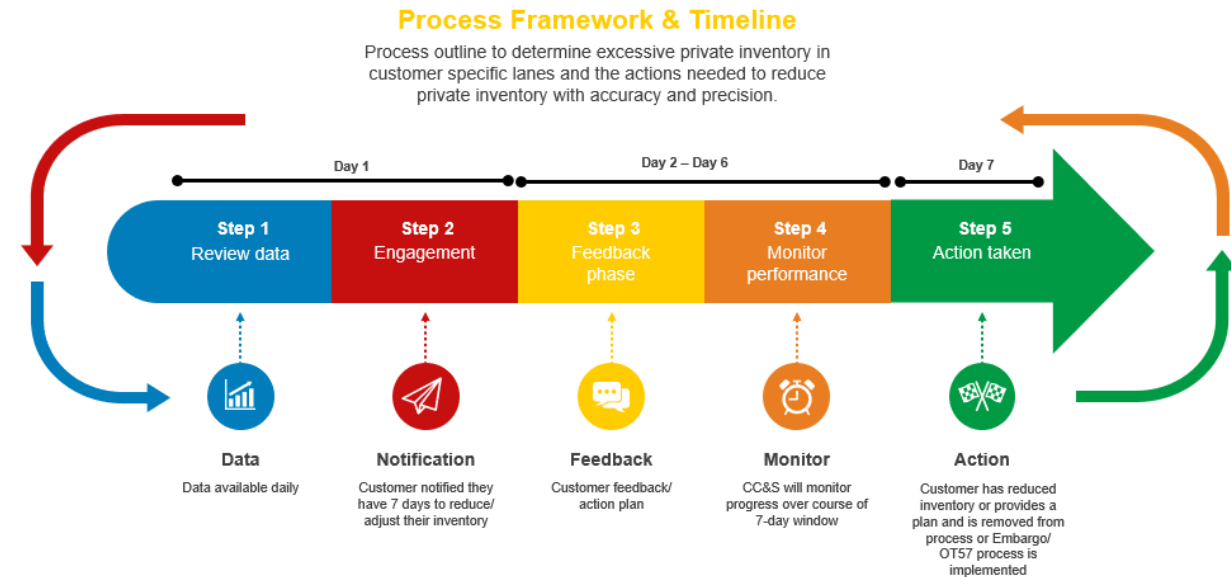
Process for Elevated Customer Owned Car Fleets

- Data driven process to calculate optimum size of customer owned car fleets
- Listened to feedback from our customers, simplified methodology
- Methodology simplifications 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
 - Changed calculation of current inventory counts from 7-day avg to current day
 - Included a 7-day self help period



Private Car Pipeline Management

- Develop target inventory based on last 14-days actual releases and the scheduled transit +24 hours for each customer origin
 - Compare current day vs target inventory to identify excess cars
 - Manifest train service only; no unit trains
- Process
 - CC&S notifies customers with excess
 - Customers provided 7 days to achieve inventory target at their origin facility
 - If inventory target not achieved within 7 days, or reduction plan not submitted, then a congestion embargo is issued with permits
 - Animal mortality, impacts to municipalities and other sensitive commodities permitted at 100%, others start at 50%



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, UP implemented the below plan.
- Customers received the following from Union Pacific:
 - Memo from CC&S on Nov 9th outlining excess inventory numbers and targeted inventory
 - The memo served 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 was not achieved at end of 7 days:
 - Customer provided an additional 7 days to remove excess inventory if plan provided
 - Congestion embargo issued (by AAR rules, embargo takes effect 48 hours after midnight of date issued)
 - Permits available immediately on embargo effective date

Actions Taken in 2022 to Recover Network

1Q 2022

- TE&Y hiring and training changes
 - Employee referral bonuses
 - Modified advertising
 - Developed hiring pipelines
 - Signing and / or relocation bonuses
 - Changed testing requirements and methods
 - Added recruiters and instructors
- Negotiated TE&Y work cycle agreement
- Negotiated temporary TE&Y agreement modifications
- Added locomotives
- Modified transportation plan

2Q 2022

- Relocated TE&Y borrowouts
- Negotiated TE&Y work cycle agreement
- Stored Bulk sets
- Stored system-controlled equipment
- Modified transportation plan
- Reorganized management
- Private car inventory M&S customer outreach

3Q 2022

- Enhanced new hire incentives
- Added more locomotives
- Terminal performance initiatives
- Private Car Inventory Lane management

4Q 2022

- Increased TE&Y borrowouts
- Terminal and local performance initiatives
- Stored Bulk sets
- Stored system-controlled equipment
- Elevated vendor engagement
- Customer level loading and pre-blocking initiative
- Private Car Pipeline management

Private Car Management

Desired Outcomes

- Adjust 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

