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The Honorable Martin Oberman, Chairman
The Honorable Michelle Schultz, Vice Chairman
The Honorable Patrick Fuchs
The Honorable Robert Primus
The Honorable Karen Hedlund
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Re: **Docket No. EP 770(1)** — *Urgent Issues in Freight Rail Service—Railroad Reporting*

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

In compliance with the Surface Transportation Board's October 28, 2022, decision, Union Pacific respectfully submits its Interim Service Update.

Please contact me if you have any questions.

Sincerely,

Craig V. Richardson

Enclosure

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

Surface Transportation Board

Docket No. EP 770 (Sub-No. 1)

Urgent Issues in Freight Rail Service—Railroad Reporting

Union Pacific Railroad Company

Revised Service Recovery Plan

December 2, 2022

Union Pacific EP 770(1) Interim Update

The Surface Transportation Board (“STB” or “Board”) directed Union Pacific to file an interim update to address: (1) how the actions that the railroad is taking are leading to service improvements, (2) advise the Board of any changes to Union Pacific’s Revised Service Recovery Plan (“Revised Plan”) filed in late June 2022, and (3) explain certain employment metrics which Union Pacific currently reports to the Board.

Union Pacific appreciates the opportunity to provide the STB with an interim update around the various initiatives that have been implemented for network operations and its workforce.

Section 1: Overview

Union Pacific’s initiatives to improve service, enhance the customer experience, and mitigate network congestion have resulted in improvement since mid-April 2022. In the Revised Plan, Union Pacific focused on detailed plans related to workforce initiatives, customer experience improvements, and network optimization. This interim update will highlight any updates or changes from previous reporting and address all the Board’s requests in its October 28, 2022, Decision.

At the outset, Union Pacific is focused on meeting customers’ expectations by aligning our demand to our available resources. Union Pacific remains committed to executing all aspects of the Revised Plan. Union Pacific is confident implementation of that Revised Plan, is key to steadily improving network performance and alleviating congestion on a sustained basis.

Section 2: Operations and Network Optimization

Network performance has improved since EP 770 reporting began. Specifically, the key performance indicators have improved as follows:

	Baseline (April 15, 2022)	Current ¹	Baseline Progress	Target ²
Car Velocity	177	188	6.2%	207 (205-210)
Operating Inventory	201,334	190,960	5.2%	193,000 (188,000-198,000)
Cars per Carload	8.9	8.6	3.4%	7.9 (7.7-8.1)
FMLM	90%	90%	Flat	90% (> 90%)
TPC Bulk	66%	74%	8 pts	81% (77%-85%)
TPC Manifest	59%	66%	7 pts	70% (66%-73%)
TPC Intermodal	73%	80%	7 pts	80% (76%-83%)

¹ Current as of week ending November 18, 2022.

² Targets (in bold) and ranges (in parenthesis) as reported in the Revised Plan filed on June 23, 2022.

These improvements have been driven by graduating 1,109 active train, engine, and yard (“TE&Y”) employees in 2022. These graduating numbers have increased our active workforce by 3% and have helped drive a 44% decrease in the number of trains holding for crew comparing November month-to-date to April 2022.

Train speed has increased by 6% when comparing November 2022 month-to-date to April 2022. This increase has efficiently generated additional power to improve network fluidity. With additional train speed, Union Pacific’s network decreased by roughly 10,000 cars of inventory since our initial Service Plan. Union Pacific is continually working to decrease additional inventory by generating network resources to create additional velocity, balancing the available resources against the train demand across the network, and adjusting the transportation plan to achieve workload balance across the network. This will minimize network congestion as we continue to work with customers to meet their demand.

Union Pacific remains focused on these initiatives and those communicated in our previous reporting. In addressing whether Union Pacific will return service to 2019 levels and improve on that baseline or whether it is measuring its long-term goal in a different way, Union Pacific continually seeks to improve based on the current and projected carload rates, traffic mix (i.e., carload, train network, geographic), and operating performance while taking into account the historical relationship of operating inventory on the network’s performance. As UP strives to improve, it makes both short and long-term resourcing decisions necessary to support expected carload volume. We also look to apply process improvements and technology to further enhance our ability to serve our customers’ needs safely, efficiently, and reliably. We are confident our targeted initiatives will continue to improve service levels and support the overall United States economy.

For example, improved crew supply has allowed us to reposition crews across the network. This has assisted us in improving network performance over the past 6 months. In addition to significantly enhancing crew hiring and further modifying recruiting strategies to attract more candidates in locations with tight labor markets, Union Pacific remains focused on initiatives that will increase fluidity throughout the network and provide a better service product.

Operationally, Union Pacific is focused on increasing and balancing the availability of three critical resources: (1) crews; (2) locomotives; and (3) freight cars relative to carload demand. These data-driven increases and redistributions are providing a more consistent and reliable service product. And the continued focus on crews, locomotives, and freight cars will result in continued, steady improvement over the coming months.

I. Crew Initiatives

A. Borrow-outs:

Union Pacific continues to rely on borrow-outs in hard-to-hire areas. Union Pacific is utilizing on average 193 daily borrow-outs, mostly in the Northern region. To attract, hire and retain talent, Union Pacific has enhanced its compensation offerings in these areas as detailed in the Revised Plan. *See* Union Pacific Revised Service Plan at 7.

II. Locomotive Initiatives

Comparing November 2022 month-to-date to December 2019, Union Pacific currently has more active high horsepower (“HHP”) available relative to the change in gross ton miles that are being hauled on the network. Currently, there are 13% more HHP locomotives in road service compared to December 2019 with 11% more gross ton miles currently being hauled.

We remain committed to quickly and efficiently increasing incremental locomotive capability. Union Pacific has added almost 200 units to our operable fleet since the beginning of 2022 to handle the additional gross ton miles currently being tendered. We have increased the number of locomotives in the 2022 modernization program by nearly 11%. Approximately 71% of the expanded program has already been completed. Union Pacific has committed to modernize additional locomotives in 2023 as a key aspect of our efforts to improve further the reliability, fuel efficiency, and emissions performance of our locomotive fleet.

III. Freight Car Initiatives

A. Reducing Inventory:

As reported in the bi-weekly progress reports, Union Pacific initially worked to implement plans to reduce some of our system-owned rail car fleet; however, as network fluidity improved, Union Pacific elected to pause this storage effort and brought some cars back into service. By optimizing the number of system-owned cars in service, Union Pacific was able to reduce network congestion by improving train velocity since our original filing. This additional train velocity effectively allowed movement of more carloadings and more gross ton miles without increasing congestion.

We are currently monitoring ongoing car orders to match our freight car supply with customer demand. We intend to store equipment if customer demand does not materialize as anticipated. Union Pacific is currently engaging customers with elevated private car operating inventory on the network compared to their demand (or average daily release rates) to reduce their inventory. Customers are provided an opportunity to implement self-help alternatives to reduce excess inventory. Most customers successfully execute corrective action plans to better align supply and demand. In some cases, for a small percentage of customers, we create embargoes that allow Union Pacific to serve all customers fairly. We grant permits for customers embargoed to ensure supply chains are protected. While embargo decisions are difficult and taken as a last resort, these vital car reductions will further improve car velocity and reduce cycle times for the remaining cars on the network.

By executing system-owned car storage efforts and private car inventory initiatives across the network, Union Pacific’s Operating Inventory is projected to be approximately 190,000 cars, cars per carload are projected to be 7.9, and car velocity is projected to improve to 207 miles per day (“mpd”) by May 2023.

B. Terminal Dwell:

Union Pacific continuously modifies its transportation plans when freight car dwell and/or the demand for cars to process through terminals is greater than capacity. The terminal transportation plan alternatives are developed with three initiatives in mind: (1) reduction in car dwell, (2) improvement of car velocity, and (3) crew start reductions to reduce the TE&Y resource demand. Comparing car dwell for November 2022 versus April 2022, scheduled terminal car dwell was flat, and actual terminal car dwell was reduced by 6%.

C. Variability Reduction:

Union Pacific continues to implement its modified transportation plans as described in the Revised Service Plan in accordance with train makeup restrictions aimed at reducing network variability. Since the implementation of this train makeup modification, network variability has been reduced. No other significant changes have been made.

D. Key Performance Indicators³

Union Pacific uses five key performance indicators to assess whether fluidity is improving across the network: (1) Car Velocity, (2) Operating Inventory, (3) Cars per Carload, (4) First Mile-Last Mile (“FMLM”), and (5) Trip Plan Compliance (“TPC”). These KPIs and projected targets are based on an assumed business mix and historical correlations for each metric relative to operating inventory.

	Baseline (April 15, 2022)	Current ⁴	Revised Targets ⁵
Car Velocity	177	188	207 (205-210)
Operating Inventory	201,334	190,960	190,000 (185,000-195,000)
Cars per Carload	8.9	8.6	7.9 (7.7-8.1)
FMLM	90%	90%	91% (> 91%)
TPC Bulk	66%	74%	81% (77%-85%)
TPC Manifest	59%	66%	70% (66%-73%)
TPC Intermodal	73%	80%	80% (76%-83%)

³ All of the projections below depend on a number of factors. These factors include, but are not limited to: volume, business mix, geographic mix, extreme variability events, an excessive number of variability events in a short period of time, especially if a number of the events occur within a localized area or the same corridor, and whether we continue to hire at our current rates or better.

⁴ Current as of week ending November 18, 2022.

⁵ Targets (in bold) and ranges (in parenthesis) are updated as discussed below.

1. Car Velocity⁶

Car velocity highlights the efficiency of the freight cars currently circulating on our network by measuring the average daily miles a car moves on Union Pacific's network. The measure includes the time from release/interchange to placement/interchange (loaded and empty).

Union Pacific has averaged 194 miles per day for six of the last eight weeks. Union Pacific has not yet met its previously articulated six-month goal. Therefore, within the next six months, the target is 207 miles per day. Additionally, Union Pacific plans to consistently perform within the range of 205 to 210 miles per day.

2. Operating Inventory⁷

Operating Inventory is a proxy for the cars currently being handled and managed on the network.

Even though operating inventory has been reduced by approximately 10,000 cars since April 2022's peak, Union Pacific's Operating Inventory has remained above 190,000 cars since undertaking the initiatives outlined in our June 2022 Revised Plan.

Over the last six months, Union Pacific faced headwinds in achieving its target identified in the Revised Plan. We tried to supply equipment to meet incremental demand opportunities, and we continued our efforts to balance available resources relative to train demand across the network. Union Pacific is lowering its current operating inventory goal to 190,000 through May 2023 with a range of 185,000-195,000 cars as we anticipate handling additional carloads in the first half of 2023 given volume forecasts and trends.

3. Cars per Carload

During the reporting period, Union Pacific did not consistently meet its goal of 7.9 cars per carload. With the anticipated growth of freight onto the network within the next 6 months, Union Pacific's goal is to achieve a system average of cars per carload target of 7.9 and consistently perform within the range of 7.7 to 8.1.

4. First Mile Last Mile ("FMLM")

First Mile Last Mile ("FMLM") measures the percent of time that the local service schedule provided to the customer was achieved and provides insight into the customer experience.

Union Pacific's FMLM calculation has been at or above 91% for 15 of the last 17 weeks.

5. Trip Plan Compliance ("TPC")

The Board requested Union Pacific provide data for TPC plus 24 hours.

⁶ Union Pacific publicly displays its car velocity numbers at <https://www.up.com/investor/key-metrics/>.

⁷ Union Pacific shares this number publicly at <https://www.up.com/investor/key-metrics/>.

(a) TPC Manifest: TPC Manifest measures the percent of time the schedule originally provided to the customer was achieved.

Union Pacific's goal is to achieve a system average TPC Manifest target of 70% by May 2023 performing within the range of 66% to 73%.

Union Pacific has been at or above 66% for 18 of the last 19 weeks.

(b) TPC Intermodal: TPC Intermodal measures the percent of time the agreed-upon customer commitment was achieved.

Union Pacific anticipates absorbing new volume onto the network in 2023. In anticipation of this additional volume, Union Pacific remains committed to achieving its previously stated goal.

Union Pacific's goal is to achieve a system average TPC Intermodal target of 80% by the end of May 2023 performing within the range of 76% and 83%.

Union Pacific has been at or above 76% for the last four weeks.

(c) TPC Bulk: TPC Bulk measures the percent of time the schedule provided at departure to the customer was achieved.

Union Pacific's goal is to achieve a system average TPC Bulk target of 81% by the end of May 2023 performing within the range of 77% and 85%.

Union Pacific has been at or above 77% for nine of the last 13 weeks.

Section 3: Workforce Sustainability

Union Pacific continues to position our company for the future with a laser-focus on attracting, hiring, and retaining talent. Union Pacific is working not only to meet its *hiring* goals but also to *retain* that talent. Union Pacific recently implemented enhancements to the TE&Y attendance policy, as described below.

I. TE&Y Attendance Policy

Since the Revised Plan, Union Pacific updated its attendance policy for TE&Y employees to attract, hire, and retain talent. These changes are a direct response to employee requests for clear and transparent attendance requirements. This policy became effective on October 15, 2022. Union Pacific's revised attendance policy is detailed below:

- The credit period was reduced from twenty-eight (28) days to fourteen (14) consecutive credit eligible days where the employee stays fully marked up and available for service.
- Regular assigned jobs are eligible to earn credits.
- Points may be reduced for No Show ("LN"), Refused Call ("RF") along with Missed Call ("MC") if the employee marks up and works within six hours. Therefore, if an employee

accepts a call for service within six hours, his or her points may be reduced to the number of points accumulated for a normal layoff.

- Points automatically drop off after 90 days.

II. Employment Data

Union Pacific clarifies its employment data reporting below.

A. Union Pacific’s characterization of Maintenance of Way (“MOW”) and Maintenance of Engineering (“MOE”) employees.

The terms MOW and MOE are based on the Form C groups (300 and 400, respectively) and are based on function of activities performed. Of the agreement employees, the core of Engineering are MOW employees, and mechanical employees are classified as MOE. In reporting on these groups, Union Pacific departments use a reporting structure, not Form C groupings. This structure leads to overlap between these two employment groups. Within Engineering, there are roughly 220 employees who maintain equipment used by MOW employees. Based on the MOW and MOE definitions, these employees are captured in MOE, but are displayed as part of Engineering in Union Pacific’s internal reporting. Another example is engineering truck drivers (375) who are in the ICC grouping 200 but under Union Pacific’s structure report to Engineering. This clarification directly addresses the Board’s request to explain the difference between MOW and MOE.

B. Union Pacific previously reported its TE&Y labor force targets based on Full-Time Equivalent Employees.

Because full-time equivalent employees are based on hours worked, and not those actively on the job, Union Pacific will report its TE&Y labor force targets based on Active TE&Y employees going forward. Union Pacific defines Active TE&Y employees as those available to work and not in a recall, bump, or training status. Our Active TE&Y monthly reporting will be modified and now be based on monthly averages and exclude employees in a recall, bump, or training status as previously defined. This will provide a means to track TE&Y employment progress against our labor force targets.

Below is a table of the modified active TE&Y counts as defined above:

TE&Y Active Workforce

Jan-22	12,791
Feb-22	12,914
Mar-22	12,839
Apr-22	12,736
May-22	12,859
Jun-22	12,864
Jul-22	12,924
Aug-22	12,920
Sep-22	12,984
Oct-22	13,058
Nov-22	13,173

Nov vs. Jan 382

For perspective, as of November 2022, Union Pacific has increased its active TE&Y workforce by 382 people compared to our year-end goal of adding 400 TE&Y employees in 2022.

Based on internal analyses and factoring in attrition and projected demand, Union Pacific makes the following six-and 12- month projections for its TE&Y active workforce:

6 Month Headcount Projection (April 2023)	13,300
12 Month Headcount Projection (November 2023)	13,550

Actual TE&Y hiring, training and headcount will depend on actual attrition and volume needs.

Section 4: Customer Experience Enhancement

Union Pacific has been working with its customers to ensure that their needs are being met.

I. Shipment Management

Based on customer feedback, the railroad continues to make updates to Shipment Management. Union Pacific has developed an updated intermodal dashboard that is easier to set up and provides customers with more of the information they need. In addition, we are piloting an enhancement to the manifest dashboard that provides facility inventory metrics and graphs to assist the customer in managing their pipeline.

II. Shipping Notifications

As part of our Subscription Center, Union Pacific currently offers customers approximately 36 proactive shipping notifications, such as industry rail service, updates on shipments, railroad

maintenance, storage charges, and waybills. These notifications strive to give customers enhanced visibility while removing ambiguity when exceptions arise.

The following notifications were developed for customers this year:

- ***Rail Maintenance Scheduled in Serving Area:*** Sent to customers when track, bridge, or signal work is scheduled within a facility's serving area.
- ***Rail Maintenance Scheduled on Shipping Route:*** Historical data is utilized to determine when you have shipped in a route where track, bridge, or signal maintenance is scheduled.
- ***Shipment Release Cancelled:*** Customer notification to be sent when a release is cancelled on a previously released shipment.
- ***Shipments Holding for Extended Duration:*** Provide Order In and Order X customers with a notification of shipments that have been held in the serving area for an extended duration (currently 10 days).
- ***Waybill Cancellation Enhancement to Bill of Lading Notification:*** Alerts customers when a processed waybill has been cancelled.
- ***Track Out of Service:*** Sends a notification when a customer's track has been taken out of service and when it has been returned to service.
- ***Seal Exception:*** Provide intermodal customers with a notification when there has been a seal issue detected.

III. Supply Chain Visibility:

Union Pacific's Application Programming Interface (API) delivers a seamless digital experience and provides customers direct access to their supply chain. We continue to add new functions for API users with the upcoming rollout of ETA Updates and Create Waybill planned in early 2023. We have more than 60 customers using APIs, generating approximately 600,000 daily "calls" for Union Pacific data directly into their interface. We have an average of 22,000 case inquiries per month in 2022 with average case responsiveness at 95% of goal. Year to date, 88% of our customers surveys have provided positive feedback.

Union Pacific continues re-evaluating its customer experience to improve service and network fluidity.

Section 5: Conclusion

Union Pacific has been diligently working to improve network operations, grow the workforce, and enhance the customer experience. These measures have realized incremental network improvement despite some recent challenges.

Union Pacific understands the importance of a fluid rail network and is working to improve further the performance of its system with a heightened focus on our key performance indicators. Union Pacific anticipates that consistently performing within the identified target ranges will be achieved by May 2023.