

EP 724 – U.S. Rail Service Issues

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Severe Weather Impacts Railroads



Effects on rail operation

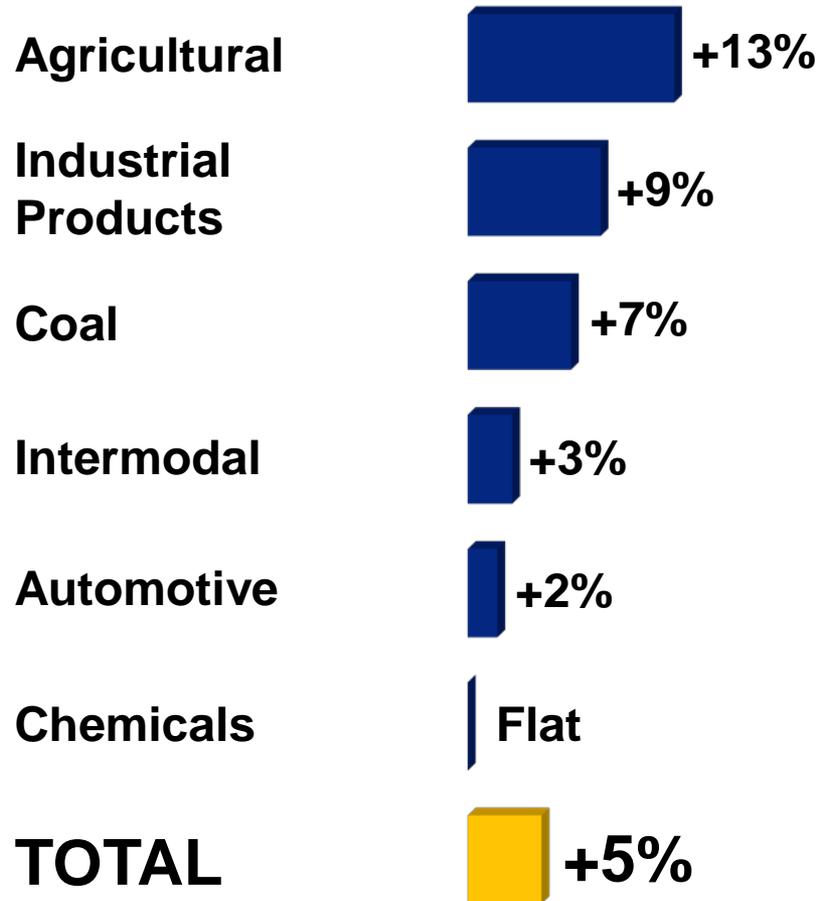
- Reduced ground crew mobility
- Slowed productivity
- Frozen switches
- Reduced train size
- Interchange bottlenecks



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Strong Demand

2014 YTD Volume Growth* (vs 2013)



YTD Drivers

- Strong Grain Shipments
- Strong Ethanol Shipments
- Growth in Frac Sand
- Coal Demand Up with Harsh Winter

*Through April 1, 2014



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UP Customer Coordination Actions

- **Communication**

- Regular website updates since first Polar Vortex event
- Performance Quality Reviews (PQR) directly with customers

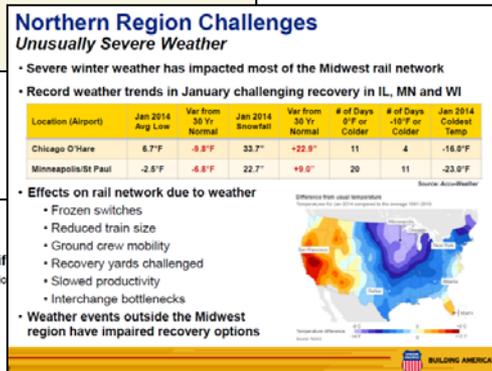
- **National Customer Service Center**

- Existing disciplined service issue process
- Additional staffing
- Tighter coordination with field operating team, command centers, and dispatch center

- **Hands-on cross-functional contact with customers most affected**

- **Internal communication & coordination**

- **Tremendous customer support and cooperation, including select blocking**



Recovery Strategy

Success Depends on Multiple Factors

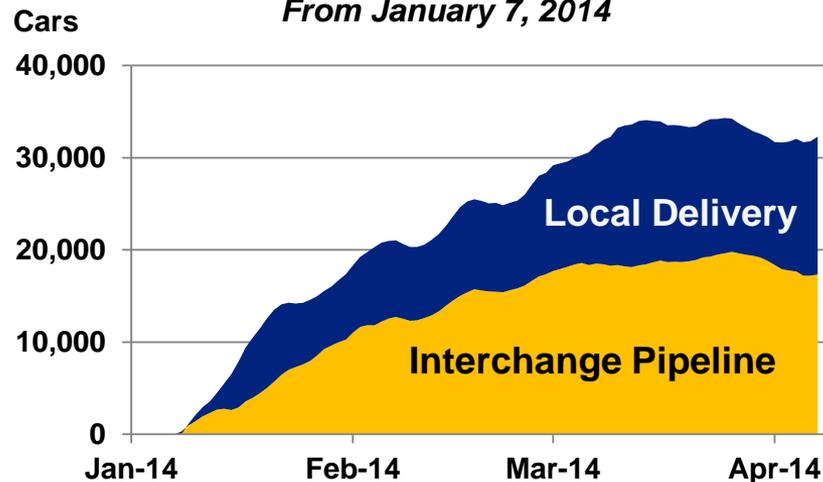
- Key recovery initiatives implemented by Union Pacific
 - Coordinating with all railroads to maximize throughput in the region
 - Utilizing alternative gateways and routes to reduce congestion
 - Increased workforce in affected areas (+8-10% YOY)
 - Mobilized additional locomotives (+12% YOY)
 - Maximizing resource effectiveness
 - Adjusting transportation plans to support recovery efforts
- Weather forecast looks to moderate in the coming weeks
- All railroads play a role in recovery efforts
- Outlook for steady improvement over the next 2-3 weeks



UP Operating Actions

Change in Freight Car Inventory

From January 7, 2014



Key Strategies

- Safety
- Variability Reduction
- Agility / Surge Capacity
- Innovation
- Investment

- Reduce inventory
 - Run the service plan
- Run locals – spot & pull the customer
- Maximize resources
 - + 550 active TE&Y Crews since Jan
 - + 600 active Locomotives since Fall to 7,480
 - + 57 Managers
 - + 11,800 Freight Cars (10,500 from storage plus 1,300 new/leased)
- Step-up capital investment
- Chicago gateway actions
- Upper Midwest actions



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UP Chicago Actions

Employee in Sub-Zero Gear



- Resource Actions (right →)
- Coordination through CTCO
- Flex Chicago demand
 - Upstream blocking to overhead Chicago switching
 - Use of alternate gateways
- Customer communication

Resource Actions

Management

- UP Chicago Command Center
- 6 additional managers at Proviso
- Additional planning calls with interchange partners
- Extra crew drivers in Milwaukee area

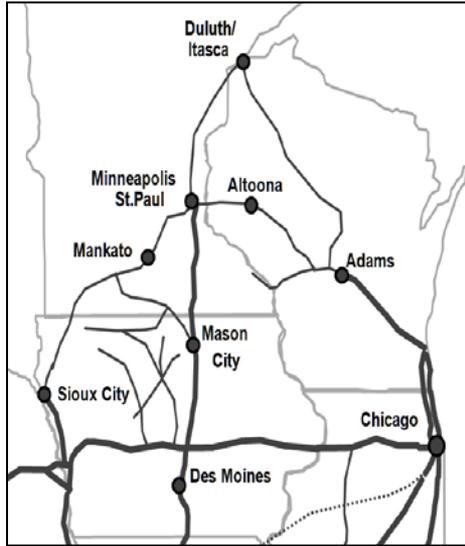
Crews

- 51 TE&Y supplements from other areas
- 42 in training pipeline by June
- Outstanding employee dedication and craft support
- Weekly employee updates on UP Online

Locomotives

- Two-thirds of 600-unit fleet increase focused in Northern Region
- Quick locomotive turns from inbound trains

UP Upper Midwest Actions



- Resource Actions (right →)
- Flex demand
 - Alternate switching in UP network
 - Use of short-line partners for switching
 - Customer blocking – Great support!
- Emphasis on restoring local service
- Customer communication

Resource Actions

Management

- UP Twin Cities Command Center
- 10 additional managers at key locations
- Customer local service supervision
- Nat'l Customer Service Center coordinator
- 8 managers accelerating crew training

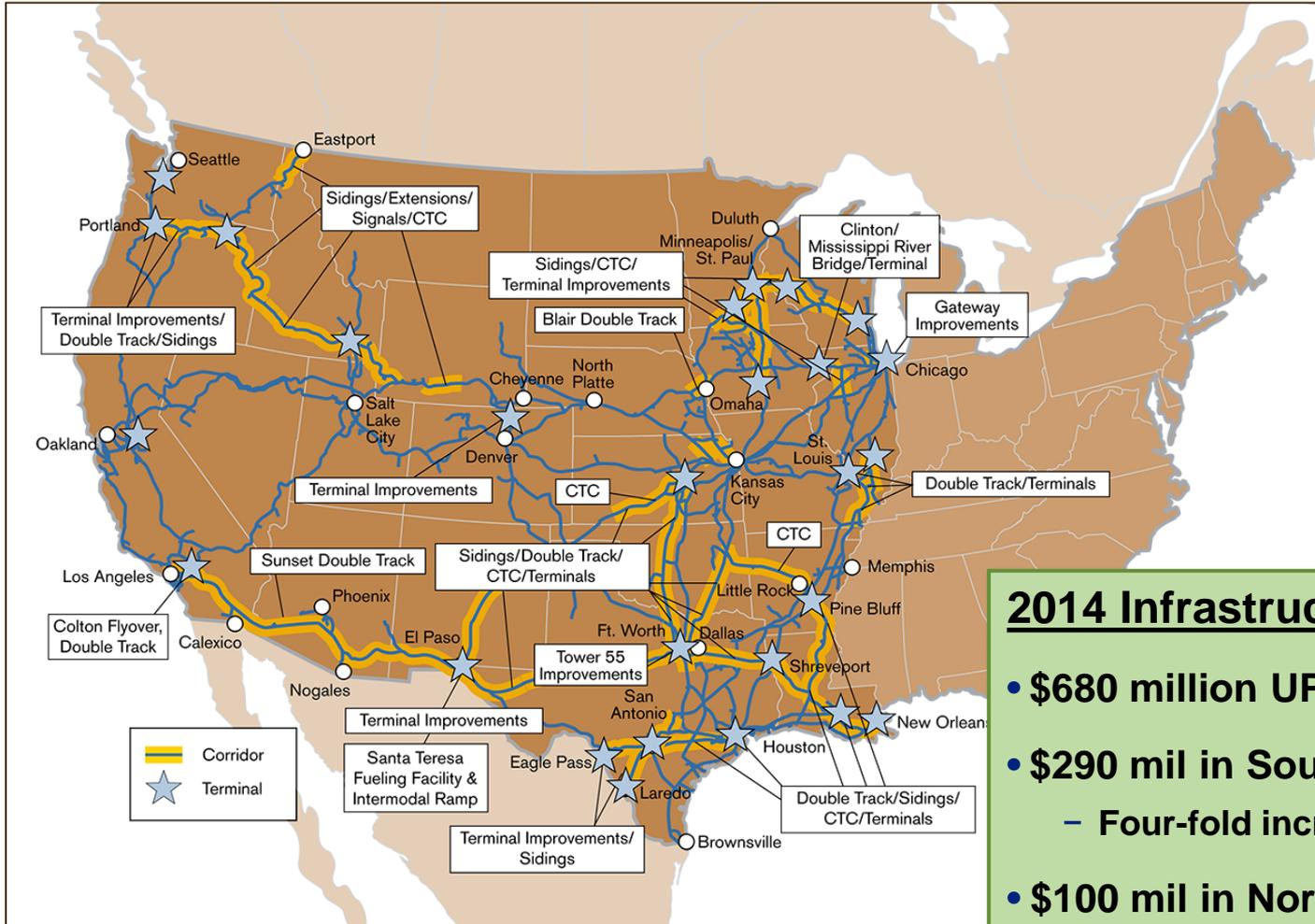
Crews

- Initiatives to improve efficient use of crews
- 43 TE&Y supplements from other areas
- 103 in training pipeline
- Outstanding employee dedication and craft support
- Weekly updates on UP Online

Locomotives

- Initiatives to increase locomotive supply
- Dedicated locomotives for local service
- Added maintenance support

Existing and Proposed UP Capacity Projects



2014 Infrastructure Expansion

- \$680 million UP network total
- \$290 mil in South
 - Four-fold increase since 2011
- \$100 mil in North, with approval to accelerate \$40 mil in upper Midwest

