



**BUILDING AMERICA®**

November 27, 2018

The Honorable Ann D. Begeman, Chairman  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423-0001

Dear Chairman Begeman:

Thank you for your letter dated November 20, 2018, regarding the tariff changes effective January 1, 2019. I'd like to address your concerns regarding commercial fairness. We are certain the proposed tariffs are fair, balanced and reciprocal in nature. As you can imagine, our commercial team is spending considerable time in front of customers, answering questions and proactively sharing feedback on what to expect.

Our goal is to provide an excellent customer experience to all of our customers, which requires network fluidity that cannot be achieved if rail cars, locomotives, crews and other assets are not fully utilized. For example, accumulating excess customer inventory in our yards creates congestion and negatively impacts our ability to serve customers. Moreover, when our locomotive assets are held at customer facilities for an excessive amount of time, it creates a lack of available resources and hinders our ability to run trains and move customer freight. I am pleased to note that the majority of our customers work with us to continuously improve supply chain efficiency. Customers rely on and expect us to ensure all customers play by the same rules. Accessorial charges are a last resort applied to a small percentage (less than seven percent of the total invoices issued) of our billing for customers who are making the supply chain less efficient, more costly and less reliable for everyone.

**Working with Our Customers to Improve Our Service Product**

- We are working diligently and proactively with customers to educate them on preventing accessorial charges and improving efficiency.
- Union Pacific will share accessorial impact reports with customers to ensure they understand potential charges under the new tariff methodology.
- Our sales team is sitting down and working with customers on shipment planning. We developed technology like our Shipment Management tool to provide visibility for customers to track their shipments in real time.
- We are allowing adjustments to plans for unit train service up to 72 hours in advance – free of charge.
- We have already provided customers with proactive tools like “You Are Next” notifications to alert their facilities to prepare for service.
- If Union Pacific does not pick up or deliver a car due to Union Pacific's actions, we would not assess an accessorial charge to the customer. Instead, under our standard demurrage program, we would give the customer two offsetting credits for our operational failures in order to maintain a fair and balanced approach.

Thank you for kindly allowing us to address your concerns. We truly believe the tariff changes effective January 1, 2019 will increase and improve the service reliability we strive to provide to all of our customers. This is a critical focus point for us. If you have any additional comments or concerns, please do not hesitate to contact me directly at 402-544-3700.

Sincerely,