



August 5, 2021

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

Dear Chairman Oberman,

Thank you for your July 22, 2021, letter. In that letter, you identify two concerns about the Class I freight rail network and the international intermodal supply chain: (1) significant container congestion, and (2) increased container storage fees at key U.S. terminals. I want to assure you that Union Pacific’s tireless efforts and continuous process improvements will yield improved fluidity within the network and clear congestion. But clearing our network will take some time, and it will require the cooperation of all stakeholders in the supply chain. Critical to clearing the congestion and keeping the network fluid will be vital *non-railroad* improvements to the inadequate takeaway capacity at our ramps that is the root cause of the congestion. We are working hard to help our customers understand the problem and improve their operations.

Though Union Pacific is an integral part of the international supply chain, we capture and execute a finite portion of the transportation pipeline. The intermodal transportation pipeline is driven by the decisions, actions, and capacity of *all* stakeholders in the pipeline, including steamship lines, shippers, receivers, ports, chassis owners, and drayage providers. All stakeholders must maintain a consistent flow of freight at every step of the process to avoid bottlenecks. Specifically, shippers and receivers are responsible for their decisions to overextend their capacity in shipping and receiving, which congests the supply chain. This overextension is beyond our control.

Union Pacific has performed efficiently in out-gating containers from our intermodal ramps. As demonstrated below, Union Pacific’s customer notification numbers¹ have remained generally consistent:

<i>Van-Notification to Out-Gate</i> <i>(Average Hours)</i>			
UP Ramp	2019	2020	2021
COI CO486	26.9	29.0	30.8
East LA CX809	29.4	29.0	28.2
Global 2 NZ020	26.6	26.8	33.5

¹ The customer notification numbers capture the average amount of time that it takes for a customer to retrieve their container after they have been notified it is available for pickup.

Global 4 ZS042	42.0	36.7	61.8
ICTF JP017	35.1	41.7	60.0
LATC CO470	26.2	26.4	27.2
Lathrop PX868	23.4	26.1	26.9
SLC UZ035	31.9	32.4	33.8

With our continuous process flow evaluation, we readily identified two outliers in our Joliet (Global 4) and Los Angeles (ICTF JP017) terminals. We discovered the uptick in the container congestion directly correlated to the lack of available space in the customers' warehouses and our customers' workforce challenges.² The drayage and warehouse operations in major markets have been slow due to outbound drayage processing. Union Pacific recognizes the current difficulty for dray carriers to manage efficiently the outbound movement of containers once they are in a stacked location. To ease the stress on our ocean carrier partners, Union Pacific implemented a policy to cap fees at \$2,450 in Global 4 when the container is in-stack. Additionally, we have temporarily opened our Global 4 intermodal facility, near Chicago, to private chassis to allow more options for shippers to out-gate their containers. Lastly, Union Pacific has re-opened its Global 3 facility, also near Chicago, to reduce congestion at Global 4 and facilitate container retrieval. Union Pacific is committed to working with our customers to improve supply chain flow.

Union Pacific agrees that an efficient rail system free from excessive congestion is vital to all supply chain stakeholders. We understand our operations must be synchronized with our supply chain partners by reconciling our performance objectives with resource usage. To that end, Union Pacific proactively engaged ocean carriers by holding a broad-based virtual international intermodal forum last May to identify inefficient tasks, remove unnecessary constraints, and make recommendations to improve fluidity in the intermodal supply chain.

We also recognize the need for our demurrage and detention fees to be reasonable. These charges are the primary tool we employ to promote supply chain flow and deter congestion. Our customers receive 24 hours of free time on domestic cargo and 48 hours of free time on international cargo. With a clear and intentional focus, we did not increase storage container charges from 2008 to 2020 for storage fees during days 1 through 5. When we eventually increased rates in January 2021, we notified customers months in advance to help them prepare for the increase and to adjust behaviors to avoid fees altogether. Our customer-centric focus allows us to implement processes that are narrowly tailored to serve their intended purposes and incentivize supply chain flow in our network.

Overall, the global supply chain has been extremely busy as the effects of the pandemic begin to subside. To further alleviate our customers' pressures from the saturated global supply chain, Union Pacific implemented a Storage Departure Reciprocity Program. As a result of customer feedback and interactions with the global supply chain, we crafted this new policy to offer domestic customers additional free time. This reciprocal policy is offered to customers when the container is notified at the terminal more than six hours later than the Ramp Storage Department Estimated Time of Grounding ("ETG"). In June 2021, nearly 21% of domestic

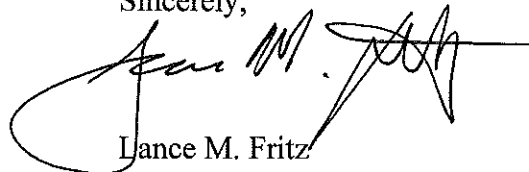
² To further illustrate container congestion at Global 4, please see Appendix A.

containers processed received an additional free day under this program. Year to date, this reciprocal program has provided over 27% of all processed domestic containers an additional free day.

As a logistics leader, Union Pacific continuously monitors our network fluidity and collaborates with customers to maintain that fluidity. We work hard to locate incentives where the responsibility lies and where the power to improve can make a difference. Our approach is also proactive: every day, we find creative, customer-by-customer solutions that help us manage capacity utilization across our network to the benefit of *all* our customers.

We look forward to working collaboratively with the STB to provide safe, efficient, and reliable freight transportation for America's supply chain.

Sincerely,



Lance M. Fritz

cc: Honorable Pete Buttigieg, Secretary, U.S. Department of Transportation

Honorable Daniel B. Maffei, Chairman, Federal Maritime Commission

Mr. Amit Bose, Deputy Administrator, Federal Railroad Administration

Honorable Senator Maria Cantwell, Chair, Senate Committee on Commerce, Science and Transportation

Honorable Representative Peter A. DeFazio, Chair, House Committee on Transportation and Infrastructure

Appendix A

Please find the detailed information from Union Pacific's Global 4 container count below demonstrating the percentage of increase at Global 4 from July 2020 to July 2021 of loaded and empty boxes grounded at the ramp in out-gate pending status. This metric includes boxes on chassis and stacked boxes, regardless of notification status, and is calculated from the July 2020 containers on the ground.

Global 4 ZS042	
July 2020	Baseline
August 2020	39%
September 2020	36%
October 2020	41%
November 2020	29%
December 2020	36%
January 2021	60%
February 2021	53%
March 2021	51%
April 2021	69%
May 2021	196%
June 2021	217%
July 2021	208%