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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:

Union Pacific respectfully submits the enclosed embargo progress report be filed in Docket Number EP 772. Please contact me if you have any questions.

Sincerely,

Tonya W. Conley

Enclosure

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



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Via Email

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

As you are aware, Union Pacific paused its pipeline management embargoes on December 16, 2022, while we assessed the feedback received from our customers and the Surface Transportation Board. During this pause, we evaluated how to incorporate enhancements to our inventory management program. I am providing the attached Union Pacific EP 772 Embargo Update to brief you on Union Pacific's significant progress.

Please contact me or Pete Decher at 402-544-9001 if you need additional information about our inventory management program changes. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Brad Moore". The signature is written in a cursive style with a large, stylized 'B' and 'M'.

Union Pacific EP 772 Embargo Update

Union Pacific is filing this update to the Board on Union Pacific's year-to-date status on embargos, inventory management, and system fluidity. A series of weather events throughout the first quarter had a real impact on our ability to capture demand, as well as added costs to the network. Through those events, our service product showed greater and greater resiliency, quickly rebounding each time as we were better positioned with crew resources to support our customers. And with April month-to-date freight car velocity at about 200 miles per day, we are operating a network that is positioned for consistent and reliable service.

Union Pacific has implemented multiple process improvement initiatives designed to provide its customers with more effective ways to manage their rail car inventory. Effective railcar management for customers empowers them to be proactive in reducing their impact on network and system congestion, leading to system-wide network improvements, embargo reductions, and benefits to the wider community of customers.

A. Update on Union Pacific's Embargo Enhancements.

On December 21, 2022, Brad Moore, Vice President of Customer Care and Support, outlined in a follow up letter to the Board various enhancements Union Pacific planned for implementation to provide customers with additional tools to better manage their railcar inventory. In addition to embargo process enhancements, Union Pacific has also provided new technology solutions to allow its customers better planning capabilities. Implementation of these enhancements has already yielded positive results, with over a 65% reduction in customer embargoes when comparing January through April year-over-year data. Further, while in 2022 approximately 29% of the customers notified of potential inventory issues ended in embargoes, the various enhancements in 2023 have reduced that embargo number to 14%. Union Pacific is now averaging less than 5 embargoes a week, in the last eight weeks we have been averaging 4 per week.

1. Customer Visibility With Technology Improvements and Notification

Union Pacific implemented technology solutions to provide customer visibility to serving area metrics. Customers can now view data impacting their shipments via enhanced Shipment Management Tools. The enhanced data provides manifest customers with more information to effectively manage their inbound inventory pipeline through access to the number of cars in a serving yard, average release rates, and available capacity. This data accessibility empowers customers to address inventory capacity constraints proactively. Union Pacific also added a graphical illustration of historical releases and inventory trends. Over 1,500 distinct users have accessed the enhanced shipment management tools.

Union Pacific will soon (late May or early June 2023) be rolling out technology upgrades enabling notifications regarding serving yard capacity. The new notification will not replace the initial serving yard notification. Rather, it will be an additional tool to help customers broaden their planning horizon in reducing excess inventory at the serving yard. Union Pacific will

continue partnering with customers to identify meaningful ways to create and leverage technology innovation.

Union Pacific now provides an extended fourteen-day timeframe for customers to make adjustments and actively engage to achieve results in removing excess inventory. If the customers have provided an action plan and demonstrated meaningful progress, they are provided with an additional seven days to execute their corrective actions. Together with the proactive inventory management tools Union Pacific has provided, this extended notification and corrective action period has resulted in a more than 50% reduction in notified customers unable to adjust before an embargo.

2. Customer Embargo & Embargo Removal

Union Pacific has identified and shared its embargo reduction initiatives to support customer planning. Customers have the opportunity to increase consumption, reduce inbound flow, or provide other actionable plans to address the inventory levels and help Union Pacific avoid impacts to serving yard operations. Customers who submit action plans for inventory reduction and making progress, are then given additional time to implement their resolution prior to an embargo being issued. Union Pacific continues to issue shipping permits to customers under embargo, in order to ensure customer pipelines remain charged, special shipments are protected, and customer facilities remain active.

Any new serving yard or congestion embargoes issued by Union Pacific now have a 30-day expiration, rather than the Railinc default of one year. This is accomplished via a manual notification from Union Pacific to Railinc. Embargoes can be still be removed sooner, and the average length of embargo is down approximately 9% in 2023 compared to the 2022 average. Embargoes are typically removed sooner, with an average lasting only 14 days.

3. Customer Engagement

Union Pacific launched a customer engagement strategy to collaborate with customers on opportunities for inventory reduction. We are piloting this program with customers to gain feedback on the approach and incorporate strategy improvements, prior to rolling it out to all our customers. In collaborating with identified customers thus far, the customer feedback has been positive, and customers are eager to engage in actionable solutions. Two specific solutions originating out of these discussions have included level loading to smooth out fluidity and customers utilizing pre-blocking to minimize time cars spend in their respective serving yards. Union Pacific is continuing our process of evaluating day of week switching opportunities based on customer demand.

4. Service Metrics Analysis

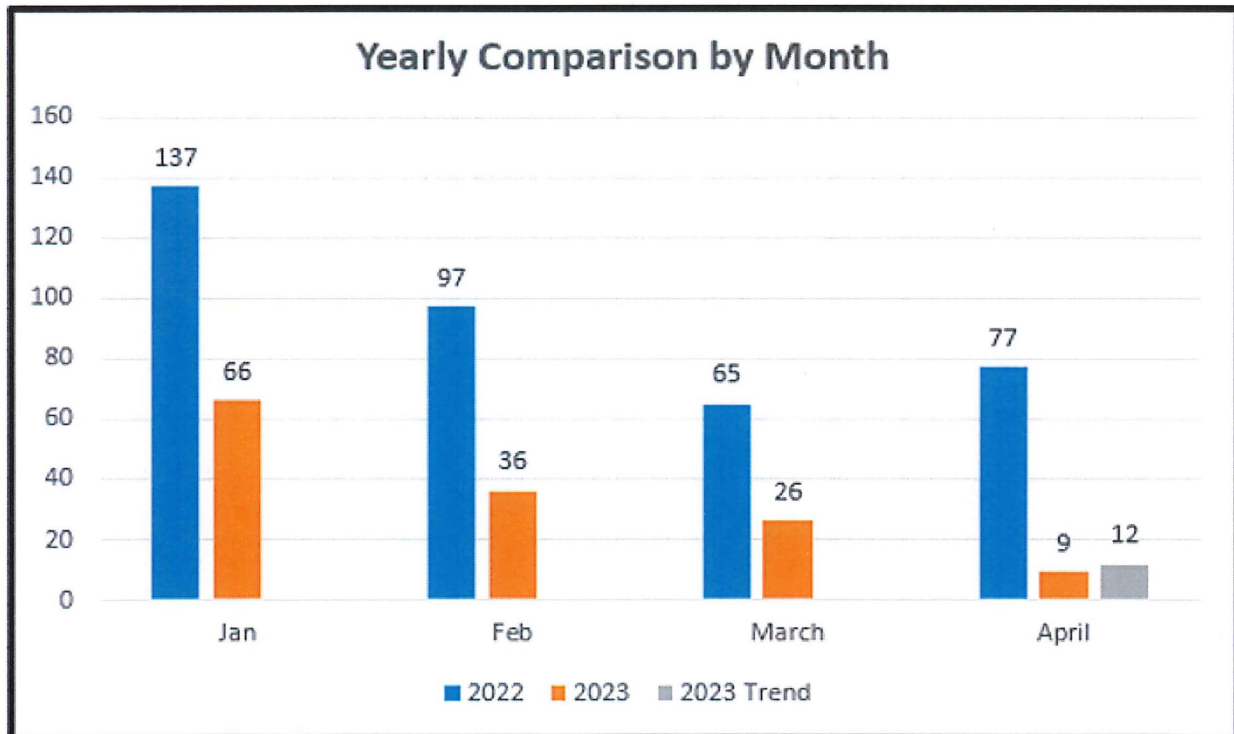
Union Pacific has also incorporated additional service metrics into the evaluation of Union Pacific performance (a vital part of the Union Pacific call on whether an embargo is appropriate). Prior to customer engagement, Union Pacific has raised verification of our performance for the

industry spot and pull thresholds (IS&P) from 80% to 85%. The higher IS&P threshold triggers an evaluation of any service-related root causes prior to initiating the engagement of customers.

B. Union Pacific's Embargo Measurements Comparison.

The tool enhancements and process improvements have had a markedly positive effect on reducing embargoes. Union Pacific is pacing at approximately 65% fewer embargoes year over year.

Year	Month	Total Embargoes	Caused by Congestion	Caused by Weather	Caused by Catastrophic Events	Other
2022	January	137	134	1	0	2
	February	97	95	1	1	0
	March	65	64	0	0	1
	April	77	77	0	0	0
2023	January	66	56	8	0	2
	February	36	36	0	0	0
	March	26	24	1	0	1
	April	9	1	1	0	0



C. Conclusion

Union Pacific's objective remains the maintenance of a fluid network operating with high levels of consistency and reliability. That objective requires we remain focused on Union Pacific's

five critical resources – our employees, locomotives, freight cars, line of road, and terminals – to ensure goal alignment and sound execution of our transportation plan. Customer-centric solutions and implementation enhancements for the embargo process have already yielded positive results, with massive reductions in embargoes year-over-year. Union Pacific has ceased utilizing the pipeline management program and will continue working with its customers to identify continuous improvement and engagement opportunities.