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Jim Young Chairman

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September 13, 2010

The Honorable Daniel R. Elliott
Chairman, Surface Transportation Board
395 E Street, SW, Suite 1220
Washington, DC 20423-0001

Dear Chairman Elliott:

This letter is in response to the Board's August 11 request regarding our plans to meet end-of-year business demands for rail service. While we remain cautiously optimistic about the economy, Union Pacific has never been better prepared to handle increased rail business. Our infrastructure is robust, our systems are well-developed and tested, and our employees are committed to providing great service to customers, current and future.

We are amidst the peak season right now, with heavy international and domestic intermodal container loadings, as well as increases in coal and grain traffic. Union Pacific is handling these volumes without difficulty and if traffic continues to rise, we are resourced to continue to do so.

Confidence in our ability to continue delivering excellent customer service is well-founded. For example:

- Between 2005 and 2009, Union Pacific invested \$14.3 billion in our infrastructure – the largest amount in any five-year period in our history – to enhance safety, increase capacity and improve customer service.
- We continued a long-term trend of improving rates for employee reportable injuries and reportable derailments, capped by second-quarter bests in 2010.
- We continue to identify ways to increase average train length, as well as increase freight car and locomotive productivity, helping generate additional network capacity.
- We have set record year-over-year Customer Satisfaction results the past two years and an all-time high score of 89 in the second quarter 2010.
- Unlike any other railroad, we worked with our rail unions to develop a program to keep furloughed locomotive engineers and conductors employed part-time but with full benefits. These employees were fully trained and immediately available to return to work as volumes rebounded from the unprecedented decline that began in 2008.



In response to your specific questions:

“The overall actions your railroad will take to prepare for the end-of-year shipping season, with specific references to critical commodity areas such as: agriculture (grain, grain products, and ethanol), coal, chemicals and intermodal”;

We are in regular contact with all customers to ensure our resources are aligned with their plans. Signs point to a strong fall harvest and increased demand for wheat by Russia. Coal inventories are at more normal levels than earlier in the year. There is an increase in international intermodal shipments and more domestic shipments are moving from truck to rail due to strong service. We are confident we have the resources and systems in place to meet all of these needs.

- Our grain car fleet of 17,500 covered hoppers is supported by a dedicated locomotive fleet, and we expect to have adequate resources for the fall grain harvest. The variable will be how efficiently ports can handle rail cars once they arrive with products for export.
- While coal demand recently has increased, Union Pacific remains far short of peak carload levels and is ready for additional volume.
- Union Pacific owns or supports programs that supply 57 percent of the domestic containers.
- We are investing approximately \$100 million to acquire 7,000 containers, 4,300 chassis and opened our new \$370 million Joliet intermodal facility in Chicago to support our intermodal customers.
- We have added hundreds of additional routes this year to serve customers via interline programs.
- We have approximately 1,200 employees furloughed, along with 900 locomotives and 30,000 freight cars idled. We are recalling TE&Y employees from furlough and hiring in targeted areas ahead of volume increases to meet customer needs. In addition, we implemented a plan to rotate idled locomotives into temporary service to ensure reliability when volume returns.

“Impact of extreme weather conditions (snow and flooding) on various parts of UP, as well as recovery efforts”;

We experienced and fully recovered from repeated weather interruptions through the spring and early summer in the upper Midwest and Plains. Collectively, these disruptions had a modest impact on system velocity, as reported to the AAR. Capital investments have physically strengthened our infrastructure, so we are better prepared to recover from interruptions than we were five or six years ago. This is evident in this year’s recoveries.

The effects of Hurricane Alex in Mexico were more serious. Each of our primary connections, KCSM and FXE, lost main lines at the border. In fact, the Laredo gateway was out of service for 26 days in July. We worked diligently to reduce the impact to customers by bringing on additional people and locomotives, as well as shipping materials to Mexico to help with repairs. We ran special, expedited trains, rushing auto parts to U.S. factories in need and

hurried empty auto racks back to Mexico for loading. Union Pacific rescheduled track maintenance on our Texas lines to provide surge capacity. Our quick, decisive actions generated positive results. Service has returned to normal.

With hurricane season upon us, Union Pacific is monitoring the tropics and we have response plans in place.

“A summary of the economic investments you have made in freight service improvements for the past year (ex. Southwest Corridor, etc);”

Union Pacific’s 2010 capital spending will be approximately \$2.6 billion. This includes an additional \$100 million that we added to our plans at mid-year. Notable projects include:

- Opening a new \$400 million intermodal facility in Joliet, Illinois, this summer.
- Extending sidings and building new sidings between Fort Worth and El Paso to expedite intermodal service between Southern California and Dallas, Memphis and Atlanta.
- Implementing CREATE projects on Union Pacific lines that ease traffic flows in and out of Chicago.
- Expanding capacity in Idaho and Oregon to create faster intermodal service to Portland and Seattle.
- Adding CTC signaling and universal crossovers in Iowa and Nebraska to increase capacity and ease congestion on UP’s highest-density corridor.
- Replacing bridges, improving rail and tie conditions in major freight yards, and improving main track conditions to reduce slow orders.
- Beginning construction on a new rail yard west of Green River, Wyoming, to support soda ash customers.
- Investing in multiple main tracks in the Powder River Basin to support coal producers and electricity generators.

As part of Union Pacific’s track replacement and renewal process, tie replacement is on cycle across our network while ongoing test results dictate when rails require replacement.

“Developments in passenger rail service access (Amtrak, commuter or high-speed rail);”

In conjunction with the Illinois Department of Transportation, we have begun preliminary work on the line between Chicago and St. Louis toward the goal of introducing 110 mile-per-hour passenger service on that corridor. We have worked with the State of Missouri on improvements to passenger rail service. Negotiations continue with those states and the Federal Railroad Administration on service requirements on those lines.

We have successfully worked with Caltrans on a project to increase passenger service from the Bay Area to Placer County in California.

“What UP is doing to improve Amtrak on-time performance;”

Union Pacific is providing unprecedented levels of on-time Amtrak performance. This is the result of an Amtrak-proposed initiative to work cooperatively on reducing slow orders on Union Pacific routes and identifying other ways of reducing passenger train delays. The results are remarkable. Amtrak’s on-time performance through July was 93 percent, as measured under our Amtrak contract. This is one of the highest on-time performance levels in the nation and much better than Amtrak’s own Northeast Corridor, which was less than 70 percent in July 2010.

Caltrans recently applauded Union Pacific for achieving an amazing 97 percent on-time performance on the Capitol Corridor between San Jose and Sacramento, Amtrak’s top-performing corridor.

“Anticipated rail congestion points and plans to improve them;”

We are continually working to remove congestion points across our network. One of the most significant projects underway is on the Geneva subdivision’s Metra West line in Chicago. Once completed, it will create triple track from downtown to Elburn, west of Geneva, and will eliminate freight traffic curfews.

In addition, we are:

- Helping fund the approved Colton Crossing overpass bridge in southern California, where for 128 years trains have stopped for each other at a railroad-to-railroad intersection.
- Beginning planning for a new Mississippi River bridge at Clinton, Iowa, that will replace a 100-year-old bridge that must be closed an average of nine times daily for 20 to 30 minutes at a time.
- Supporting the application for the Fort Worth, Texas, Tower 55 project designed to eliminate an at-grade intersection of several major railroads.

“To the extent your railroad has been affected by extreme weather conditions, the effort your railroad has undertaken to restore damaged infrastructure and restore service;”

See comments on weather incidents and recovery above.

“Efforts made in conjunction with container owners for expanding export container availability in remote areas of the U.S.;”

As stated above, we are investing in our container fleet and improving productivity to meet export container demand. Through our subsidiary companies Streamline and UPDS, we provide door-to-door intermodal and other rail services, including assistance in locating containers for export, to a wide geographic area.

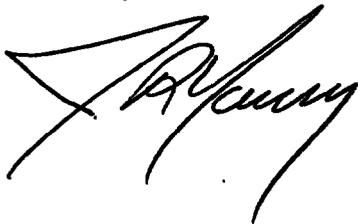
“Status of the Positive Train Control initiative;”

We submitted our plans on schedule to the FRA to comply with this mandate. These plans were approved August 4. PTC is unproven, untested technology, and we are very concerned about the potential for PTC to have a significant negative impact on rail capacity. It also is important to note that PTC will place a significant financial burden on our customers for installation and ongoing maintenance. Union Pacific is implementing PTC pilot programs this year on our South Morrill, Nebraska, and Powder River subdivisions, our Boone subdivision in Iowa, and our Spokane subdivision in the Pacific Northwest.

“A report on your company’s most recent customer service survey.”

Our most recent customer survey reports customer satisfaction at 89 on a 100-point scale, a Union Pacific quarterly best.

Sincerely,

A handwritten signature in black ink, appearing to read "F. Mulvey", written in a cursive style.

cc: The Honorable Francis P. Mulvey, Vice Chairman
The Honorable Charles D. Nottingham