NOT ALL MARKET SHARE METRICS TELL THE SAME STORY

Why UP's misleading 50% market share myth can't hide the competitive reality shippers understand.

UNION PACIFIC SAYS CONCERNS ABOUT THE UP-NS MERGER ARE BASED ON A "MYTH."

But the facts speak plainly: If approved, UP would control 50% of all rail shipments originating on Class I railroads in the United States. That's why customers, regulators and communities are asking the question that really matters:

How much economic power, network reach and influence over the nation's freight transportation system would a combined UP-NS railroad possess?

WHAT MARKET CONCENTRATION LOOKS LIKE IN THE REAL WORLD

For many industries and states, the impacts of a potential UP-NS merger are not theoretical.

STEEL
Indiana

America's largest steel-producing state.

Post-merger UP-NS would control approximately:

80% of metal-products shipments to and from Indiana

INTERMODAL
Pennsylvania

Massive warehousing and logistics hubs handle the retail goods consumed by the entire Northeast population center.

Post-merger UP-NS would control approximately:

85% of intermodal shipments to and from Pennsylvania

CHEMICALS
Texas

America's leading chemical-producing state.

Post-merger UP-NS would control approximately:

70% of chemical shipments to and from Texas

AGRICULTURE
Kansas

One of America's most important grain-producing states.

Post-merger UP-NS would control approximately:

55% of farm-product shipments to and from Kansas

BNSF® RAILWAY

WHY THE 50% FIGURE MATTERS

UP argues that other metrics show smaller percentages.

One shipment means just what it says – each loaded railcar or intermodal container is counted as one shipment. You don't have to be an industry insider or do any math to understand what that statistic means for the U.S. economy.

More fundamentally, the data show that the combined railroad would be substantially larger than any other U.S. freight railroad, concentrating more traffic, revenue and network reach within a single system than any rail merger in modern times.

THE REAL QUESTION ISN'T TON-MILES

UP's article relies heavily on Gross Ton Miles (GTMs), rail ton-miles and measures that include other modes of transportation to minimize their post-merger market share.

GTM metrics measure:

✓ Weight moved
✓ Network utilization
✓ Distance traveled

They do not measure:

✗ Customer choice
✗ Market concentration
✗ Competitive alternatives
✗ Pricing power

A ton-mile may be useful for measuring network activity.

But it is not how customers buy transportation. Railroads do not quote rates per GTM.

Shippers buy transportation per railcar, train, container or shipment.

Choosing a metric by which UP-NS appears slightly smaller can't hide that the combined entity would have enormous pricing power over shippers and limit customer choice.

WHY STAKEHOLDERS ARE CONCERNED

Shippers are not focused on GTMs.

They are focused on:

- Whether transportation options shrink
- Whether competition declines
- Whether rates increase
- Whether service alternatives disappear

The key question is whether multiple viable transportation choices remain available. GTMs do not answer that question.

BIGGER MARKET SHARE MEANS GREATER PRICING POWER

Stakeholder concerns are amplified by UP's historical pricing performance. Revenue per unit is a commonly used measure of rail pricing:

- UP has led Class I railroads in revenue per unit for years.
- UP's revenue-per-unit growth has outpaced inflation over the long term.
- UP's pricing levels remain significantly above industry averages.

The concern raised by customers is straightforward:

If one railroad controls half of the market and already charges more than its peers, will competition increase or decrease?

That is the question regulators must answer. And it is a question that statistics like GTMs cannot.