

Costly, Unnecessary, Anti-Competitive and Bad for the U.S. Economy

Our nation's supply chain does not need a reduction in competitive options or the risk inherent in integration that we've seen happen after almost every Class I merger.

No customer is asking for a UP-NS merger to happen. It's driven by Wall Street on the promise of a big shareholder payout. BNSF does not believe a merger is necessary at this time, when we can deliver immediate benefits to our customers while preserving competition.

The Danger of Market Dominance

The proposed UP-NS merger would concentrate too much control of the nation's freight market with one railroad leading to long-term harm to competition and resilience in the nation's supply chain.

A UP-NS merger would have 45% of total U.S. tonnage.

For context, the recent CP and KCS merger resulted in control of 5% of the U.S. market.

Less Competition is Bad for Shippers

Less competition means fewer alternatives and higher rates, as well as reduced capital investments across the rail industry. The claimed revenue and efficiency gains that justify the oversized merger premium simply don't add up.

Captive shippers will cover the \$85B price of the merger, despite UP claims that it will be paid for through 10% growth in three years.

- The growth target is unachievable. UP is the only Class I whose volume has actually gone down since the last major round of mergers.
- When they fail to achieve their volume claims, UP/NS have proven they will take a page out of their well-worn PSR playbook to deliver the profits they promised Wall Street.

It's the same approach customers have come to expect from UP, but now on a much bigger scale by expanding their captive pricing model East.

- UP has a clear and lengthy history of driving up rates on captive traffic and aggressively cutting costs which will impact the entire supply chain.
- That's why shippers with no other choice, like the chemical and agricultural industries, are already actively opposing this merger. They don't want to be on the hook to pay UP and NS shareholders through higher rates and reduced service.
- Carload and agricultural products customers will be most impacted as they lose optionality in shipping to the eastern U.S. or face significantly higher rates on traffic that currently interchanges with NS.
- At the expense of smaller customers, communities, and shortlines, UP will double down on its historic practice of leveraging its now enhanced market power to drive higher rates on captive customers and favoring high-density lanes while closing low-volume lanes.

According to STB data, a combined UP-NS railroad would control:

>50% of the market share in chemicals
(higher prices for consumer goods)

>50% share of metals (higher construction costs)

>50% in lumber (higher cost of housing)

300 INTERMODAL LANES ELIMINATED IF MERGER APPROVED

After the last major round of mergers, 90 intermodal facilities closed, resulting in several hundred fewer intermodal lane options and communities permanently losing their intermodal access.

The Potential for Supply Chain Chaos

America's supply chain was severely challenged during the pandemic, and the potential impact to the supply chain, economy and the consumer from the proposed merger is too risky.

- UP's last merger resulted in a service meltdown widely covered by the media, took years to unwind and caused the Surface Transportation Board (STB) to rewrite merger rules.
- A much smaller recent merger caused months of service problems with ripple effects across the U.S. economy.
- Service impacts and deterioration will extend far beyond the UP/NS service area to the entire U.S. rail network and supply chain as failed merger integrations always have.

BNSF is Not Looking to Create a National Duopoly

BNSF doesn't believe the appropriate competitive response is for BNSF to acquire CSX at this time. We should not be viewed as the fix to correct the competitive imbalance that UP-NS are trying to create. Wall Street and UP would like to force BNSF into a competing merger that creates a coast-to-coast duopoly controlling over 90% of our nation's rail traffic.



Regulations are Not a Guarantee

The STB has had to order UP to comply with UP/SP merger obligations and allow BNSF access over a dozen times.

Don't believe the regulatory process of merger review will be the backstop to preserving competition. Trackage rights and the various other remedies are only effective if the merged entity plays by the rules.

- UP also has a clear history of not honoring its obligations in prior mergers – actively working to defeat existing competitive remedies granted to shippers in the last major round of mergers by creating strategic delay that breeds commercial uncertainty, fabricating legal hurdles, and most recently, driving up the price to make commercial access remedies infeasible.
- BNSF has had to initiate numerous legal proceedings in the last 24 years to make use of the access that the Board granted in the UP/SP merger.



Increased Collaboration is the Way Forward

Instead, BNSF believes the greater supply chain wants and needs increased collaboration among railroads and shared customers, greater technological innovation and more strategic investments through our privately funded infrastructure, like we are making in the Barstow International Gateway.

We believe the best course of action for now is greater collaboration with other railroads, as you saw with our recent announcement with CSX of:

- New domestic intermodal lanes between San Bernardino and Charlotte, NC and Jacksonville, FL.
- New domestic service between Phoenix, AZ and Atlanta, GA.
- Along with new international service between Kansas City and the Port of New York and New Jersey and Norfolk, VA.

These partnerships provide more, not fewer, options for our customers while preserving competition and flexibility. We can also implement them now, not two years later, after an expensive and arduous regulatory process.

Competition is Key for a Strong U.S. Economy

To ensure U.S. businesses remain globally competitive, BNSF must continue to provide competitive and efficient transportation services and grow with our customers. This requires competition, which is not possible with a dominant railroad resulting from the proposed UP-NS merger.

Raise Your Voice

Make your voice heard during the STB review of this proposed merger.

Tell the STB to say no to unchecked market power and the loss of competitive options that you'll never get back.