

UNION PACIFIC CORP  
Form 10-K  
February 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6075

UNION PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

UTAH	13-2626465
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1400 DOUGLAS STREET, OMAHA, NEBRASKA

(Address of principal executive offices)

68179

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(Zip Code)

(402) 544-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock (Par Value \$2.50 per share)	New York Stock Exchange, Inc.

§ Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

§ Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

§ Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

§ Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

§ Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

§ Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

§ Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

§ If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

§ As of June 30, 2017, the aggregate market value of the registrant's Common Stock held by non-affiliates (using the New York Stock Exchange closing price) was \$87.3 billion.

The number of shares outstanding of the registrant's Common Stock as of February 2, 2018 was 779,305,276.

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Documents Incorporated by Reference – Portions of the registrant’s definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 10, 2018, are incorporated by reference into Part III of this report. The registrant’s Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

UNION PACIFIC CORPORATION

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February 9, 2018

Fellow Shareholders:

Looking back at 2017, I can report Union Pacific made progress building long-term value for our four key stakeholders – shareholders, communities, customers, and employees. After two consecutive years of overall volume declines, Union Pacific experienced a 2 percent increase in volume. This increase in volume, coupled with positive pricing and continued productivity improvement, generated reported earnings of \$13.36 per share. After adjusting for the impact of corporate tax reform that was passed prior to year-end, our adjusted earnings were a record \$5.79 per share\*. This result is a 14 percent improvement compared to last year’s \$5.07 per share. Our adjusted operating ratio was a record 63.0 percent\*, or 0.5 points better than last year’s 63.5 percent.

Carloadings were up in our Industrial Products and Coal business units 12 percent and 6 percent, respectively, driven primarily by a robust increase in frac sand shipments. Automotive shipments were down 3 percent resulting from lower domestic sales and reduced vehicle production, while Chemical and Agricultural Product shipments were both down 2 percent as we experienced declines in our crude oil volumes and grain carloadings. Intermodal volumes were flat compared to 2016.

We faced several operational challenges during 2017, from significant flooding in the western portion of our network, to the unprecedented rain and flooding that accompanied Hurricane Harvey. Despite these challenges, the men and women of Union Pacific worked tirelessly and heroically to safely serve our customers. I am pleased with our results and look forward to continuing to build long-term enterprise value by building our Value Tracks.

Starting with World Class Safety, 2017 was another outstanding year for employee safety performance. Our reportable personal injury rate of 0.79 was off slightly from last year’s all-time record low of 0.75. Our ultimate goal is zero incidents, getting every one of our employees home safely at the end of each day. We will maintain a relentless focus on data-driven processes and root-cause evaluations, as well as on internal safety programs such as Total Safety Culture and Courage to Care.

We have built centers of excellence around game-changing technology and other Innovation initiatives. Our Engaged Team is inspiring passion and dedication while leveraging diverse talents to extract the best ideas that will drive positive results across our Company. The continued implementation and execution of our “Grow to 55 and Zero” initiative drives significant Resource Productivity, from successfully aligning our resources to meet the increase in demand, to being more efficient in virtually everything that we do across the entire organization.

Given the challenges I mentioned above, our service product in 2017 did not meet all our customers’ expectations, but we kept working to create an Excellent Customer Experience, anticipating customer needs, responding quickly, keeping commitments, and offering solutions. Our robust capital program helps provide the necessary resources and network capacity to build these relationships and prepare for future growth. It enables us to handle our business safely

and efficiently, while improving network fluidity. We invested about \$3.1 billion in 2017, including about \$1.9 billion in replacement capital to harden our infrastructure, and to improve the safety and resiliency of our network, as well as nearly \$340 million toward completing our Positive Train Control project.

A Maximized Franchise is much more than our unique physical footprint. It encompasses our employees' skills, our assets, and a strategy that emphasizes the importance of our customers' experiences. It also embraces a thoughtful approach to market penetration, the competitive landscape to determine future service offerings and to identify trade flow opportunities.

This successful execution of our value track strategy to the benefit of all our stakeholders translates into value for our shareholders. Total shareholder return increased 32 percent in 2017, compared with 22 percent for the S&P 500. Our net return on invested capital\* of 13.7 percent increased a full percentage point over last year's 12.7 percent. We increased our quarterly declared dividend per share by 10 percent, with dividends paid in 2017 totaling \$2.0 billion. In addition, we repurchased 36 million Union Pacific shares. In total, combining both dividends and share repurchases, Union Pacific returned \$6 billion to our shareholders in 2017.

Looking to 2018, we are optimistic the economy will favor many of the segments which drive our core business, leading us to another year of positive volume growth. We will continue to execute on our Value Tracks to benefit our employees, partner with the communities in which we serve, provide our customers an excellent experience, and generate strong returns for our shareholders.

Chairman, President and Chief Executive Officer

\*See Item 7 of this report for reconciliations to U.S. GAAP.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

<p>Andrew H. Card, Jr. Former White House Chief of Staff Board Committees: Audit,  Compensation and Benefits</p>	<p>Deborah C. Hopkins Former Chief Executive Officer Citi Ventures Former Chief Innovation Officer  Citi</p>	<p>Thomas F. McLarty III President McLarty Associates Board Committees: Finance (Chair), Corporate Governance and Nominating</p>
<p>Erroll B. Davis, Jr. Former Chairman, President &amp; CEO  Alliant Energy Corporation  Board Committees: Compensation and Benefits (Chair), Corporate Governance and Nominating</p>	<p>Board Committees: Corporate Governance and Nominating, Finance  Jane H. Lute  President and Chief Executive Officer  SICPA North America  Board Committees: Audit, Corporate Governance and Nominating</p>	<p>Bhavesh V. Patel Chief Executive Officer and Chairman of the Management Board LyondellBasell Industries N.V. Board Committees: Finance, Compensation and Benefits</p>
<p>David B. Dillon Former Chairman The Kroger Company Board Committees: Audit (Chair),  Compensation and Benefits</p>	<p>Michael R. McCarthy Chairman McCarthy Group, LLC Lead Independent Director  Board Committees: Corporate</p>	<p>Steven R. Rogel Former Chairman Weyerhaeuser Company Board Committees: Compensation and Benefits, Corporate Governance and Nominating</p>
<p>Lance M. Fritz Chairman, President and Chief Executive Officer Union Pacific Corporation and  Union Pacific Railroad Company</p>	<p>Governance and Nominating (Chair), Finance  Michael W. McConnell General Partner and  Former Managing Partner Brown Brothers Harriman &amp; Co.  Board Committees: Audit, Finance</p>	<p>Jose H. Villarreal Advisor Akin, Gump, Strauss, Hauer &amp; Feld, LLP Board Committees: Audit,</p>

SENIOR MANAGEMENT\*

Lance M. Fritz  
Chairman, President and  
Chief Executive Officer

Robert M. Knight, Jr.  
Executive Vice President  
and Chief Financial Officer

Todd M. Rynaski  
Vice President and Controller

Bryan L. Clark  
Vice President-Tax

Sherrye L. Hutcherson  
Senior Vice President and  
Chief Human Resource Officer

Cameron A. Scott  
Executive Vice President and  
Chief Operating Officer

Rhonda S. Ferguson  
Executive Vice President, Chief Legal  
Officer and Corporate Secretary

Scott D. Moore  
Senior Vice President and  
Chief Administrative Officer

Lynden L. Tennison  
Senior Vice President and  
Chief Information Officer

D. Lynn Kelley  
Senior Vice President-Supply and  
Continuous Improvement

Jon T. Panzer  
Vice President and Treasurer

Elizabeth F. Whited  
Executive Vice President and  
Chief Marketing Officer

Michael A. Rock  
Vice President-External Relations

\*Senior management are elected officers of both Union Pacific Corporation and Union Pacific Railroad Company, except Mr. Scott, Ms. Kelley and Ms. Whited are elected officers for Union Pacific Railroad Company.

## PART I

### Item 1. Business

#### GENERAL

Union Pacific Railroad Company is the principal operating company of Union Pacific Corporation. One of America's most recognized companies, Union Pacific Railroad Company links 23 states in the western two-thirds of the country by rail, providing a critical link in the global supply chain. The Railroad's diversified business mix includes Agricultural Products, Automotive, Chemicals, Coal, Industrial Products and Intermodal. Union Pacific serves many of the fastest-growing U.S. population centers, operates from all major West Coast and Gulf Coast ports to eastern gateways, connects with Canada's rail systems and is the only railroad serving all six major Mexico gateways. Union Pacific provides value to its roughly 10,000 customers by delivering products in a safe, reliable, fuel-efficient and environmentally responsible manner.

Union Pacific Corporation was incorporated in Utah in 1969 and maintains its principal executive offices at 1400 Douglas Street, Omaha, NE 68179. The telephone number at that address is (402) 544-5000. The common stock of Union Pacific Corporation is listed on the New York Stock Exchange (NYSE) under the symbol "UNP".

For purposes of this report, unless the context otherwise requires, all references herein to "UPC", "Corporation", "Company", "we", "us", and "our" shall mean Union Pacific Corporation and its subsidiaries, including Union Pacific Railroad Company, which we separately refer to as "UPRR" or the "Railroad".

Available Information – Our Internet website is [www.up.com](http://www.up.com). We make available free of charge on our website (under the "Investors" caption link) our Annual Reports on Form 10-K; our Quarterly Reports on Form 10-Q; eXtensible Business Reporting Language (XBRL) documents; our current reports on Form 8-K; our proxy statements; Forms 3, 4, and 5, filed on behalf of our directors and certain executive officers; and amendments to such reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act). We provide these reports and statements as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). We also make available on our website previously filed SEC reports and exhibits via a link to EDGAR on the SEC's Internet site at [www.sec.gov](http://www.sec.gov). Additionally, our corporate governance materials, including By-Laws, Board Committee charters, governance guidelines and policies, and codes of conduct and ethics for directors, officers, and employees are available on our website. From time to time, the corporate governance materials on our website may be updated as necessary to comply with rules issued by the SEC and the NYSE or as desirable to promote the effective and efficient governance of our Company. Any security holder wishing to receive, without charge, a copy of any of our SEC filings or corporate governance materials should send a written request to: Secretary, Union Pacific Corporation, 1400 Douglas Street, Omaha, NE 68179.

We have included the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certifications regarding our public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31(a) and (b) to this report.

References to our website address in this report, including references in Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

## OPERATIONS

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although we provide revenue by commodity group, we analyze the net financial results of the Railroad as one segment due to the integrated nature of our rail network. Additional information regarding our business and operations, including revenue and financial information and data and other information regarding environmental matters, is presented in Risk Factors, Item 1A; Legal Proceedings, Item 3; Selected Financial Data, Item 6; Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7; and the Financial Statements and Supplementary Data, Item 8 (which include information regarding revenues, statements of income, and total assets).

Operations – UPRR is a Class I railroad operating in the U.S. We have 32,122 route miles, linking Pacific 2017 Coast and Gulf Coast ports with the Midwest and eastern U.S. gateways and providing several corridors to Freight key Mexican gateways. We serve the Western two-thirds of the country and maintain coordinated Revenue schedules with other rail carriers to move freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. Export and import traffic moves through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders. Our freight traffic consists of bulk, manifest, and premium business. Bulk traffic primarily consists of coal, grain, soda ash, ethanol, rock and crude oil shipped in unit trains – trains transporting a single commodity from one origin to one destination. Manifest traffic includes individual carload or less than train-load business involving commodities such as lumber, steel, paper, food and chemicals. The transportation of finished vehicles, auto parts, intermodal containers and truck trailers are included as part of our premium business. In 2017, we generated freight revenues totaling \$19.8 billion from the following six commodity groups:

Agricultural Products – Transportation of grains, commodities produced from these grains, and food and beverage products generated 19% of the Railroad’s 2017 freight revenue. We access most major grain markets, linking the Midwest and Western U.S. producing areas to export terminals in the Pacific Northwest and Gulf Coast ports, as well as Mexico. We also serve significant domestic markets, including grain processors, animal feeders and ethanol producers in the Midwest, West, South and Rocky Mountain states. Unit trains, which transport a single commodity between producers and export terminals or domestic markets, represent approximately 41% of our agricultural shipments.

Automotive – We are the largest automotive carrier west of the Mississippi River and operate or access 38 vehicle distribution centers. The Railroad’s extensive franchise serves five vehicle assembly plants and connects to West Coast ports, all six major Mexico gateways, and the Port of Houston to accommodate both import and export shipments. In addition to transporting finished vehicles, UPRR provides expedited handling of automotive parts in both boxcars and intermodal containers destined for Mexico, the U.S. and Canada. The automotive group generated 10% of Union Pacific’s freight revenue in 2017.

Chemicals – Transporting chemicals generated 18% of our freight revenue in 2017. The Railroad’s unique franchise serves the chemical producing areas along the Gulf Coast, where roughly 55% of the Company’s chemical business originates, travels through, or terminates. Our chemical franchise also accesses chemical producers in the Rocky Mountains and on the West Coast. The Company’s chemical shipments include six categories: industrial chemicals, plastics, fertilizer, petroleum and liquid petroleum gases, crude oil and soda ash. Currently, these products move primarily to and from the Gulf Coast region. Fertilizer movements originate in the Gulf Coast region, the western U.S. and Canada (through interline access) for delivery to major agricultural users in the Midwest, western U.S., as well as abroad. Soda ash originates in southwestern Wyoming and California, destined for chemical and glass producing markets in North America and abroad.

Coal – Shipments of coal, petroleum coke, and biomass accounted for 13% of our freight revenue in 2017. The Railroad’s network supports the transportation of coal, petroleum coke, and biomass to independent and regulated power companies and industrial facilities throughout the U.S. Through interchange gateways and ports, UPRR’s reach extends to eastern U.S. utilities, as well as to Mexico and other international destinations. Coal traffic originating in the Powder River Basin (PRB) area of Wyoming is the largest segment of the Railroad’s coal business.

Industrial Products – Our extensive network facilitates the movement of numerous commodities between thousands of origin and destination points throughout North America. The Industrial Products group consists of several categories, including construction products, minerals, consumer goods, metals, lumber, paper, and other miscellaneous products. In 2017, this group generated 21% of our total freight revenue. Commercial, residential and governmental infrastructure investments drive shipments of steel, aggregates (cement components), cement and wood products. Oil and gas drilling generates demand for raw steel, finished pipe, frac sand, stone and drilling fluid commodities. Industrial and light manufacturing plants

receive steel, nonferrous materials, minerals and other raw materials. Paper and packaging commodities, as well as appliances, move to major metropolitan areas for consumers. Lumber shipments originate primarily in the Pacific Northwest and western Canada and move throughout the U.S. for use in new home construction and repair and remodeling.

**Intermodal** – Our Intermodal business includes two segments: international and domestic. International business consists of import and export container traffic that mainly passes through West Coast ports served by UPRR’s extensive terminal network. Domestic business includes container and trailer traffic picked up and delivered within North America for intermodal marketing companies (primarily shipper agents and logistics companies), as well as truckload carriers. Less-than-truckload and package carriers with time-sensitive business requirements are also an important part of domestic shipments. Together, our international and domestic Intermodal business generated 19% of our 2017 freight revenue.

**Seasonality** – Some of the commodities we carry have peak shipping seasons, reflecting either or both the nature of the commodity and the demand cycle for the commodity (such as certain agricultural and food products that have specific growing and harvesting seasons). The peak shipping seasons for these commodities can vary considerably each year depending upon various factors, including the strength of domestic and international economies and currencies and the strength of harvests and market prices for agricultural products.

**Working Capital** – At December 31, 2017, we had a working capital surplus. We maintain adequate resources, and when necessary, have adequate access to capital markets to meet any foreseeable cash requirements, in addition to sufficient financial capacity to satisfy our current liabilities. At December 31, 2016, we had a working capital deficit, due primarily to a decrease in other current assets related to a tax receivable for the late extension of bonus depreciation at December 31, 2015, along with an increase at December 31, 2016, in accounts payable and upcoming debt maturities.

**Competition** – We are subject to competition from other railroads, motor carriers, ship and barge operators, and pipelines. Our main railroad competitor is Burlington Northern Santa Fe LLC. Its primary subsidiary, BNSF Railway Company (BNSF), operates parallel routes in many of our main traffic corridors. In addition, we operate in corridors served by other railroads and motor carriers. Motor carrier competition exists for five of our six commodity groups (excluding most coal shipments). Because of the proximity of our routes to major inland and Gulf Coast waterways, barges can be particularly competitive, especially for grain and bulk commodities in certain areas where we operate. In addition to price competition, we face competition with respect to transit times, quality and reliability of service from motor carriers and other railroads. Motor carriers in particular can have an advantage over railroads with respect to transit times and timeliness of service. However, railroads are much more fuel-efficient than trucks, which reduces the impact of transporting goods on the environment and public infrastructure, and we have been making efforts to convert certain truck traffic to rail. Additionally, we must build or acquire and maintain our rail system; trucks and barges are able to use public rights-of-way maintained by public entities. Any of the following could also affect the competitiveness of our transportation services for some or all of our commodities: (i) improvements or expenditures materially increasing the quality or reducing the costs of these alternative modes of transportation, (ii) legislation that eliminates or significantly increases the size or weight limitations applied to motor carriers, or (iii) legislation or regulatory changes that impose operating restrictions on railroads or that adversely affect the profitability of some or all railroad traffic. Finally, many movements face product or geographic competition where our customers can use

different products (e.g. natural gas instead of coal, sorghum instead of corn) or commodities from different locations (e.g. grain from states or countries that we do not serve, crude oil from different regions). Sourcing different commodities or different locations allows shippers to substitute different carriers and such competition may reduce our volume or constrain prices. For more information regarding risks we face from competition, see the Risk Factors in Item 1A of this report.

**Key Suppliers** – We depend on two key domestic suppliers of high horsepower locomotives. Both suppliers provide parts for locomotives and one also provides maintenance under a service agreement. Due to the capital intensive nature of the locomotive manufacturing business and sophistication of this equipment, potential new suppliers face high barriers of entry into this industry. Therefore, if one of these domestic suppliers discontinues manufacturing locomotives, supplying parts or providing maintenance for any reason, including insolvency or bankruptcy, we could experience a significant cost increase and risk reduced availability of the locomotives that are necessary to our operations. Additionally, for a high percentage of our rail purchases, we utilize two steel producers (one domestic and one international) that meet our specifications. Rail is critical for maintenance, replacement, improvement, and expansion of our network and facilities. Rail manufacturing also has high barriers of entry, and, if one of those suppliers

discontinues operations for any reason, including insolvency or bankruptcy, we could experience cost increases and difficulty obtaining rail.

Employees – Approximately 85% of our 41,992 full-time-equivalent employees are represented by 14 major rail unions. On January 1, 2015, current labor agreements became subject to modification and we began the current round of negotiations with the unions. Existing agreements remain in effect until new agreements are ratified or the Railway Labor Act's (RLA) procedures (which include mediation, potential arbitration, cooling-off periods, and the possibility of Presidential Emergency Boards and Congressional intervention) are exhausted. Through industry and local negotiations, UPRR reached tentative new agreements with 12 of our 14 major rail unions. Nine unions (representing nearly 70% of our agreement work force) have ratified those agreements by significant margins. The tentative agreement failed ratification with two unions in early February 2018 (representing about 10% of our agreement work force) returning any further discussions with them to the jurisdiction of the National Mediation Board. Another small union (less than 1%) is still out for ratification. UPRR and the industry currently continue in active mediation with the remaining coalition of two unions (representing about 20% of our agreement work force). Under the Railway Labor Act, the National Mediation Board controls timing and location of mediation conferences and when to terminate mediation, moving the parties to the next stages of the RLA process. Contract negotiations historically continue for an extended period of time and we rarely experience work stoppages while negotiations are pending.

Railroad Security – Our security efforts consist of a wide variety of measures including employee training, engagement with our customers, training of emergency responders, and partnerships with numerous federal, state, and local government agencies. While federal law requires us to protect the confidentiality of our security plans designed to safeguard against terrorism and other security incidents, the following provides a general overview of our security initiatives.

UPRR Security Measures – We maintain a comprehensive security plan designed to both deter and respond to any potential or actual threats as they arise. The plan includes four levels of alert status, each with its own set of countermeasures. We employ our own police force, consisting of more than 250 commissioned and highly-trained officers. Our employees also undergo recurrent security and preparedness training, as well as federally-mandated hazardous materials and security training. We regularly review the sufficiency of our employee training programs. We maintain the capability to move critical operations to back-up facilities in different locations.

We operate an emergency response management center 24 hours a day. The center receives reports of emergencies, dangerous or potentially dangerous conditions, and other safety and security issues from our employees, the public, law enforcement and other government officials. In cooperation with government officials, we monitor both threats and public events, and, as necessary, we may alter rail traffic flow at times of concern to minimize risk to communities and our operations. We comply with the hazardous materials routing rules and other requirements imposed by federal law. We also design our operating plan to expedite the movement of hazardous material shipments to minimize the time rail cars remain idle at yards and terminals located in or near major population centers. Additionally, in compliance with Transportation Security Agency regulations, we deployed information systems and instructed employees in tracking and documenting the handoff of Rail Security Sensitive Materials with customers and interchange partners.

We also have established a number of our own innovative safety and security-oriented initiatives ranging from various investments in technology to The Officer on Train program, which provides local law enforcement officers with the opportunity to ride with train crews to enhance their understanding of railroad operations and risks. Our staff of information security professionals continually assesses cyber security risks and implements mitigation programs that evolve with the changing technology threat environment. To date, we have not experienced any material disruption of our operations due to a cyber threat or attack directed at us.

Cooperation with Federal, State, and Local Government Agencies – We work closely on physical and cyber security initiatives with government agencies, including the U.S. Department of Transportation (DOT) and the Department of Homeland Security (DHS) as well as local police departments, fire departments, and other first responders. In conjunction with the Association of American Railroads (AAR), we sponsor Ask Rail, a mobile application which provides first responders with secure links to electronic information, including commodity and emergency response information required by emergency personnel to respond to accidents and other situations. We also participate in the National Joint Terrorism Task Force, a multi-agency effort established by the U.S. Department of Justice and the Federal Bureau of Investigation to combat and prevent terrorism.

We work with the Coast Guard, U.S. Customs and Border Protection (CBP), and the Military Transport Management Command, which monitor shipments entering the UPRR rail network at U.S. border crossings and ports. We were the first railroad in the U.S. to be named a partner in CBP's Customs-Trade Partnership Against Terrorism, a partnership designed to develop, enhance, and maintain effective security processes throughout the global supply chain.

Cooperation with Customers and Trade Associations