



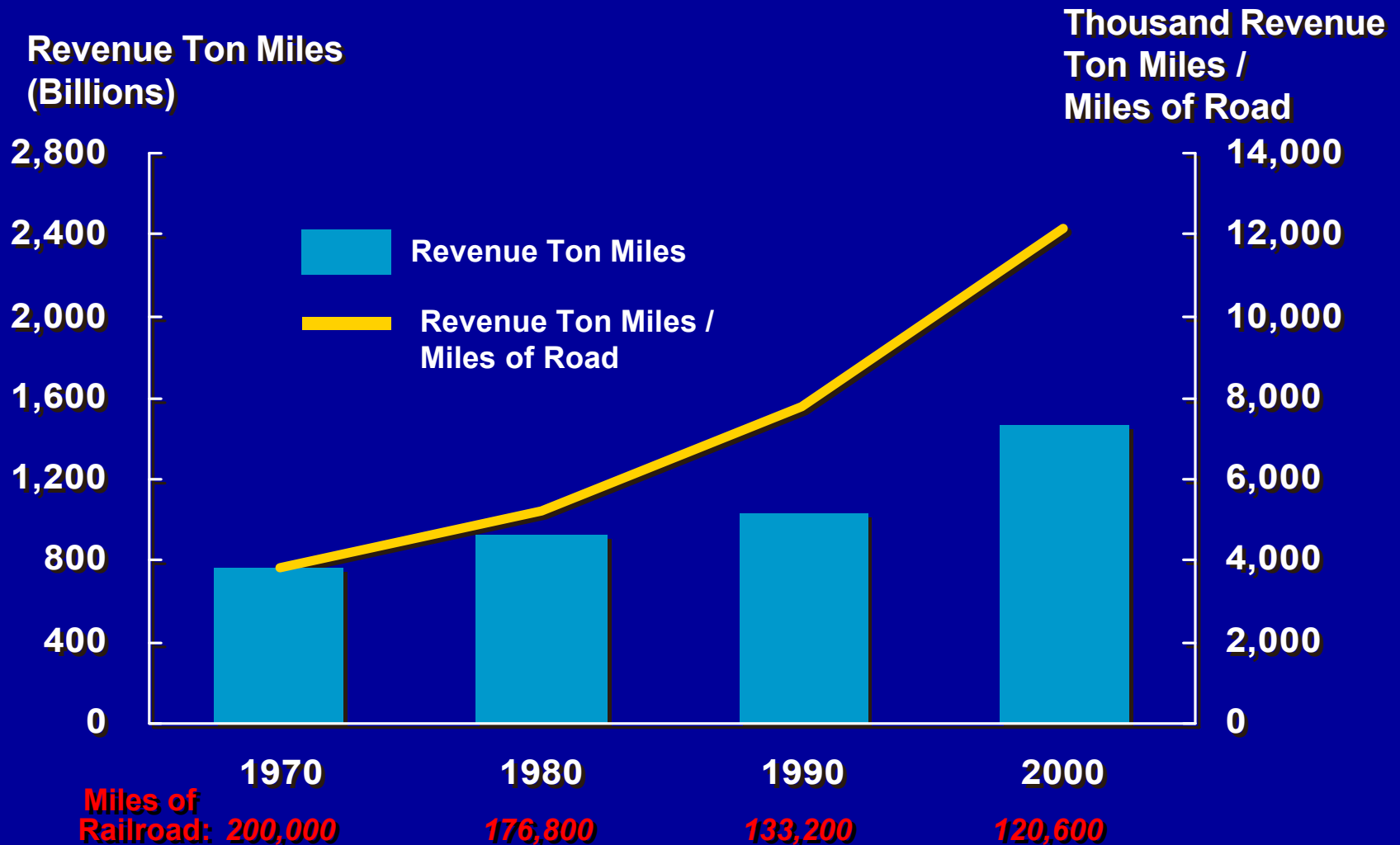
Public / Private Partnerships and Rail Infrastructure Development

A Railroad's Perspective



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Industry Infrastructure Usage



Source: AAR

The Dilemma

- **The critical resources are expensive**
 - (employees, infrastructure, equipment, systems, fuel)
- **Rails invest 18% of revenue in capital**
- **Rails don't earn their “cost of capital”**

HOWEVER - Union Pacific believes -

- **Path to earning cost of capital is not through public funding**
- **Improving our returns is largely a “self-help” process**



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Concerns with Public Investment

- **Passenger operations**
 - Consume scarce capacity without a fair return to shareholders
- **Strings attached**
 - Blurred ownership
 - Open access / reregulation
 - Trust funds
- **Skew the economic playing field**



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Public/Private Partnerships

However, Union Pacific believes there are many opportunities to work with public entities on mutually beneficial projects:

- Which have a clearly defined, direct public benefit, and,
- Whose outcomes are a clear Win-Win

Note: “WIN” means gaining something of REAL VALUE.



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Union Pacific's Perspective

Union Pacific's Base Criteria for Projects are Those Which:

- **Improve safety and security**
- **Enhance goods movement**
- **Offset impact on capacity**
- **Improve efficiency**
- **Fair return to shareholders**



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Public Partnership Guidelines

- **Clear, identifiable, direct public benefit**
- **Willingness to invest “new money” not rail user fees or recycled rail tax payments**
- **Willingness to provide ongoing commitment to support operations and maintenance (where appropriate)**
- **Willingness to provide ongoing return (where appropriate)**
- **No strings attached**



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Examples

- **Projects which meet public safety or security concerns or objectives**
- **Upgrades to accommodate passenger initiatives**
- **Line or terminal relocations to meet community needs**
- **Focused economic development initiatives**
- **Shortline assistance to upgrade infrastructure**
- **Tax exempt financing available to any corporate citizen**



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