

## Union Pacific gathering comes amid uncertainty

Written by Joe Ruff - Omaha World-Herald

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OMAHA, Neb. — Union Pacific Chairman and CEO Jim Young faces shareholders Thursday in the midst of a recession that has driven down profits while prompting spending cuts and thousands of layoffs.

Some of the toughest business conditions ever faced by the Omaha-based railroad might not significantly improve until next year, Young said in April when U.P. reported an 18 percent drop in first-quarter net income. Revenue declined 20 percent to \$3.4 billion, compared with \$4.3 billion the year before.

The uncertain economy has made it difficult to forecast how U.P. will fare through this year, Young has said.

He declined an interview request in advance of the company's annual meeting in Salt Lake City.

Revenues held up through 2008 despite the deepening slowdown. The company operated more efficiently, increased prices as it renewed contracts and took advantage of lower-cost diesel fuel. The company turned business away that did not meet its price points.

Volume was down 5 percent in 2008, but revenue was up 10 percent to \$18 billion from \$16.3 billion in 2007.

Net income increased by 26 percent to \$2.3 billion, or \$4.45 a share, compared with \$1.9 billion, or \$3.46 a share, in 2007.

U.P. cut its work force in late 2008 and early this year by furloughing more than 5,000 employees, dropping the number of full-time workers to about 45,000 across its 23-state system.

The company's top executives won't receive a pay raise this year, and capital expenditures were cut to \$2.6 billion from a previously projected \$2.8 billion.

Other cost-cutting measures have included efforts to drive business through 14 major network terminals and away from 30 regional and 60 local yards. Union Pacific spent 60 percent less on fuel in the first quarter, partly because of lower prices and partly through lower consumption.

Union Pacific's stock has dropped over the last year along with the market in general. It hit a 52-week low of \$33.28 a share in March from a high of \$85.80 a share last September. The stock closed at \$45.94 Wednesday.

Freight railroads, which haul everything from coal to cars to toys and electronics, are considered harbingers of economic activity. Over the last year, the nation's slowing economy was reflected in declining volumes at Union Pacific.

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In the first three months of 2008, volumes were flat compared with the same period in 2007. But business declined by 3 percent in the second quarter and 5 percent in the third quarter before plummeting 12 percent in the fourth quarter. Volumes dropped 21 percent in this year's first quarter.

The economic slide appeared to have leveled off in the last couple of months, but any recovery will be slow, Young has said.

Union Pacific also wants to be ready when the economy recovers. Every cost-cutting initiative has included plans to meet needs during a rebound, company officials said.