

Changes to Union Pacific's Mexico Intermodal Product Offering

To our customers:

Union Pacific offers you the premier intermodal franchise in North America. Our Border, Passport, and Mexico Direct (formerly Transborder) products provide unparalleled access to Mexico. With service between 19 major Mexico markets and 47 markets in the US and Canada, Union Pacific offers more Mexico intermodal services than any other railroad. On January 1, 2013, we will make several changes to our Mexico Direct intermodal product. These changes are necessary in order to continue to provide you with the industry's best intermodal service to Mexico. Please review the changes outlined below and contact your Union Pacific Sales Representative with any questions. We appreciate your assistance as we work through these changes.

Overview

Effective January 1, 2013, Union Pacific will provide both EMP and UMAX container capacity directly in Mexico on the Kansas City Southern de Mexico (KCSM). Although KCSM will discontinue its participation in the EMP rail container program, Union Pacific will provide seamless service for both the EMP and UMAX products between KCSM points in Mexico and Union Pacific terminals in the US or to interchange points with Eastern and Canadian railroads. This transition will require changes in the way you interact with Union Pacific for Mexico shipments (waybilling, rate authorities, price levels, fuel surcharge, shipment visibility, etc.). The transition also will require changes to the operating practices within Mexico (equipment reservations, equipment returns, other program rules, etc.). This document outlines the changes in detail.

Process for waybilling loaded shipments to/from Mexico (Mexico Direct)

Starting January 1, 2013, shipment waybills must be tendered as outlined below:

<u>Origin</u>	<u>Waybill to:</u>
Mexico (Northbound)	UP
UP (Southbound)	UP
Eastern / Canadian RR (Southbound)	Eastern / Canadian RR

Waybills must be tendered to **UP** for all shipments in EMP or UMAX equipment originating at KCSM terminals in Mexico that are terminating at UP locations or at Eastern or Canadian Railroad locations via a UP route. To be clear, waybills for EMP and UMAX equipment should **not** be tendered to KCSM.

Waybills for shipments going from UP to Mexico will continue to be tendered to UP as they are today. Waybills for shipments going from Eastern or Canadian Railroads to Mexico will continue to be tendered to the originating railroad as they are today.

Routes for your shipments remain the same as they are today – there should be no changes to the route you place in the waybill.

Shipment Visibility

Union Pacific is working on solutions to provide visibility to your shipments in Mexico. Union Pacific plans in the long term to provide full, integrated visibility to your shipments in Mexico as if they were on Union Pacific using UP's current visibility tools. Until this work is complete, UP will rely on a third party provider. We will provide you the third party provider's website as soon as it is available and will link to it on the UP Customer Service website.

Rates for Transportation to/from Mexico

Union Pacific will now provide Northbound pricing from points in Mexico to UP destinations and interchange destinations on the Eastern and Canadian roads. Southbound pricing will continue to be provided by UP or the applicable Eastern or Canadian carrier. Due to changes in the transportation rates between the border and points in Mexico, new pricing will be effective on January 1, 2013. New transportation rates from UP will be available this week.

Pricing Responsibility by RR:

<u>Route</u>	<u>Publishing RR</u>
UP Local to Mexico	UP
Mexico to UP Local	UP
Eastern / Canadian RR to Mexico	Eastern / Canadian RR
Mexico to Eastern / Canadian RR	UP

Fuel Surcharge

Union Pacific will establish a new fuel surcharge schedule for Mexico shipments. The Weekly Mexico Fuel Surcharge will be pegged to the current Union Pacific Weekly Fuel Surcharge value by taking the Weekly Fuel Surcharge percent less six points. For example, if UP's Weekly Fuel Surcharge is 36%, the Weekly Mexico Fuel Surcharge will be 30%. The Weekly Mexico Fuel Surcharge will be initially published on the week of December 24th, 2013.

The Weekly Mexico Fuel Surcharge will apply to Mexico Direct shipments only. This means that Weekly Mexico Fuel Surcharge will apply to shipments originating at terminals in Mexico and terminating at any railroad (UP, Eastern or Canadian) and to shipments originating at UP terminals and terminating in Mexico. It will not apply to shipments to or from UP border terminals or to Passport shipments.

Shipments billed from Eastern or Canadian points will continue to utilize the respective publishing road's fuel surcharge program.

General Equipment Information

Pacer will act as Union Pacific's vendor in Mexico to manage EMP and UMAX equipment for Union Pacific. In this capacity, Pacer will conduct fleet management activities as directed by UP, including problem resolution, empty equipment return, and general container and chassis maintenance.

Reservations and accessorial billing will be managed by Rez-1. Please see the sections below for additional details.

Empty Equipment Reservation in Mexico

Customers will use the same equipment reservation process for Mexico as they do for the US (administered by Rez-1). For Mexico reservations, customers will be assigned a specific equipment initial and number for pickup. When reservations are granted, the customer will receive notification that will specify the equipment reserved for them. If a customer encounters a problem obtaining the equipment at the ramp (i.e. the equipment is bad ordered), the customer should contact the on-site Pacer representative. A list of Pacer contacts by ramp will be published by Union Pacific.

Empty Equipment Return to Mexico Ramp

Prior to February 10th, 2013, customers may return empty equipment to a Mexico ramp as they do today. Starting February 10th, KCSM will require empty billing to be able to in-gate an empty unit. Prior to in-gate, the customer will need to contact Pacer, who will create an empty waybill and provide the appropriate validation numbers. These numbers will be required upon in-gate. Without a waybill the driver will not be allowed to return the empty to the KCSM ramp. More details to follow on this process.

Mexico Equipment Program Rules

Empty Equipment – All accessories will be consistent with those charged in the US. These charges are outlined in the Rez-1 program rules at http://channelspeed.rez1.com/policies/wf_njs.htm.

Southbound Loaded Shipments – All accessories with the exception of storage and per diem are consistent with what is charged in the US. Storage will start to accumulate upon van notify + 4 days. Per diem will start to accumulate upon van notify + 2 days.

Northbound Loaded Shipments – All accessories will be consistent with those charged in the US. These charges are outlined in the Rez-1 program rules at http://channelspeed.rez1.com/policies/wf_njs.htm.