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Union Pacific Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Our first question is from Tom Wadewitz with JP Morgan. Please proceed with your question.

Tom Wadewitz – JP Morgan

Hi. Yeah. Good morning. Jim and Rob, I just jumped over from the UPS had their call going on, so I apologize, if I'm going to ask you something, you've talked about in detail. The forecast you guys going forward, it is lot of resiliency to the business despite some weakness in the economy. But, what do you think, I guess the room for prices in that forecast, but who is the drivers of price in that forecast, either to the upside or to the downside? I mean, you think pricing can come in may be better than you're expecting in the five to six and do you feel like that the volume side, may be on the downside, it is pretty conservative with that due to 2% or is there some risk that might be worse than that range?

Jim Young

Yeah. Tom, the wildcard here really is consumer and where and what happens in the economy. As we stated here not assuming real strong year, and will manage accordingly. I think we are going to be very cautious in terms of what we look out and our spending and we're going to be very aggressive in our operating productivity. We have mitigated fuel here with our fuel surcharge program, but we're still not recovering 100%. So, you see a continued falloff in fuel, you might have a little bit of upside there. But I just talk, we are going in to end of year with that pretty uncertain, we are going to really watch our cost and be prepared, if we see little uptick to get it to the bottom line.

Tom Wadewitz – JP Morgan

You productivity trend has been very impressive and it seems like perhaps even if you worse in 2% volume, even if you are down 4% or so. You might be able to getting in to the earnings range you are talking about is that. Is it fair to think that, may be you have some upside from productivity to offset it, if volumes did come a little worse than you are expecting?

Jim Young

Well, Tom, again I feel good about our productivity. We have got, as Dennis mention, we are still – even we had – with the quarter we had, we are still reaccrue over 7% of our trains, that's good opportunity and again. The question will became one on, if you have more series falloff in volume

demand, what is that mean for fuel prices, I mean they generally correlate each other, so you could have some upside there.

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