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## Union Pacific Corp., Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator Instructions) Our first question is coming from the line of William Greene of Morgan Stanley. Please go ahead with your question, sir.

#### William Greene - Morgan Stanley

Good morning. I'm just wondering if we can talk a little about incentive comp. Sorry I jumped on late, so I wasn't sure if you had mentioned it. Incentive comp, I don't think, came down very much. So is that suggesting that maybe you feel like the first quarter is perhaps the trough for the year? Or how should we think about what incentive comp trends suggest?

#### Jim Young

Bill, I think first thing you have to be careful looking at maybe what you saw at some other railroads. Our program is not similar in terms of the way you do mark-to-market. Ours is a little more consistent. It's out here incentive comp is down a little bit to a year ago. Or, take a look at it each quarter in terms of our performance going forward, and we will adjust according to how our performance will work.

#### William Greene - Morgan Stanley

Alright. So Jim, UP used to be one of the best railroads, if not the best before the SP merger. Can you get back to that level? And if you can, what's the philosophy? Importantly what's the CapEx requirement for you to get back there? Because I look at the locomotives stored, and I look at what you've done at CapEx. And I say, CapEx maybe can come down materially from where we are. And yet, if you want to get back to those operating levels, and you have improved a lot. I would think you still might have to spend quite a bit from here.

#### Jim Young

Well, Bill, we used to be one of the best. I think we are one of the best right now, but we can debate that another time. We are being smart about our capital investment, and if you look at it again, you have to go back to the SP-CN&W merger. We bought some properties that needed capital. We have been putting it in. I think you see the results in several areas. Customer service. Clearly, we have substantially changed the mindset of customers. I will tell you, that does not happen overnight.

You have got to work at it. Consistently show what you can do. Our efficiency. Granted, we are benefiting from lower volumes, but I will tell whether you we're running 145,000 cars or 190,000 cars,

our productivity is going to be very good. We still have some needs going forward, and I have got to keep an eye on the long-term here.

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