PraxiChain

THE UP-NS MERGER:

RISKS, OPPORTUNITIES & WHAT RAIL SHIPPERS MUST DO

A comprehensive analysis of implications for rail industry stakeholders—shippers, service providers, trade groups, short lines, investors and suppliers

September 2025 | PraxiChain Rail Merger Impact Analysis



EXECUTIVE SUMMARY

Bottom Line Up Front



Union Pacific's proposed acquisition of Norfolk Southern would create the first U.S. transcontinental freight railroad and represents a potential watershed in freight rail economics.

Network Impact:
First true coast-to-coast single-line service

Competition Concerns:
Reduces Class I carriers from 6 to 5 across N.A., concentrating market power

Regulatory Timeline:
12–24-month STB review process expected

Stakeholder Opposition:
Chemical producers, labor unions signal formal opposition

PraxiChain's Immediate Recommendation

Shippers should stress-test their rail exposure, open dialogue with trading partners, and pre-position advocacy and commercial protections while monitoring STB filings and early operational KPIs.

DEAL SNAPSHOT

Key Transaction Highlights

Enterprise Value

$85B

Based on UP's July 16, 2025 closing price

Price per Share

$320

25% premium to 30-day VWAP

Annual Synergies

$2.75B

$1.75B revenue, $1B cost synergies

Combined Network

50,000+

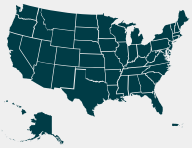
route miles across 43 states, connecting ~100 ports

JIM VENA
UNION PACIFIC CEO

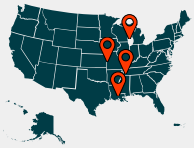
"Railroads have been an integral part of building America since the Industrial Revolution, and this transaction is the next step in advancing the industry."

Union Pacific Press Release, July 29, 2025

Strategic Rationale



Transcontinental Service:
Coast-to-coast single-line capability



Interchange Elimination:
Remove handoffs in Chicago, Memphis, New Orleans, and Kansas City



Asset Optimization:
Better utilization across complementary corridors

Current Projected Timeline

By Jan 29, 2026
Formal STB Application

Q1 2026
Public Comment Period (~30-60 days)

Early 2027
Projected STB Decision

2028
Integration Completion

PRAXICHAIN RECOMMENDATIONS

Strategic Positioning for Market Transformation

Bottom Line Assessment

The UP-NS merger represents the most significant rail industry transformation in decades, with far-reaching implications for supply chain strategy across multiple sectors. Success requires proactive risk management, strategic advocacy, and flexible operational planning.

For Rail Shippers	For Service Providers	For Trade Organizations	For Investors
Defensive Strategy	**Adaptive Positioning**	**Advocacy Leadership**	**Opportunity Capture**
Quantify route dependencies immediately	Enhance service differentiation	Develop unified industry positions	Identify transload acquisition targets
Negotiate merger protection clauses	Strengthen customer relationships	Coordinate STB testimony efforts	Assess short line consolidation plays
Develop modal alternatives	Develop integration capabilities	Engage congressional representatives	Monitor divestiture requirements
Coordinate industry advocacy	Prepare for market consolidation	Document competitive impacts	Build logistics service platforms
Prepare contingency operations			

STAKEHOLDER IMPACT SCORECARD

Expected Effects Across Key Dimensions

Stakeholder Group	Service	Pricing	Competition	Overall Impact
Chemical Shippers	Negative	Negative	Negative	High Risk
Other Rail Shippers	Neutral (Unit Train) Negative (Merchandise)	Negative	Negative	Moderate/High Risk
Service Providers - Logistics/Intermodal/ Container/3PL	Positive	Neutral	Positive	Opportunity
Short Line Railroads	Neutral	Negative	Negative	Moderate/High Risk
Investors - PE/Infrastructure/ Real Estate	Positive	Positive	Neutral	High Opportunity

Key Finding:

Chemical shippers face the most comprehensive negative impact, while service providers and investors may see significant upside potential.

CHRIS JAHN
AMERICAN CHEMISTRY COUNCIL CEO

"Nearly three-fourths of our members are captive shippers — they have one choice of railroad and their rates have increased 240% over the last 15 years," Jahn says. "That's compared to a 24% increase if you have a choice of railroad. Essentially, already three-fourths of our members have a monopoly."

AgWeb, September 5, 2025

CHEMICAL SHIPPERS

Highest Risk Exposure Group



AMERICAN CHEMISTRY COUNCIL POSITION:

"ACC and its member companies have serious concerns about the negative impacts on American manufacturing from further consolidation in the freight rail industry. We are closely watching the proposed terms of the deal and will actively oppose any merger that fails to significantly enhance competition between railroads."

ACC Press Release Statement, July 30, 2025

Why Chemical Shippers Care

Route Dependency & Loss of Competitive Options:
Limited rail access, potential bottlenecks, depend on UP-NS interchange points

Hazmat Regulations:
Strict routing requirements limit alternatives

Service Criticality:
Production schedules tightly integrated with rail timing

Expected Impacts

Price Pressure:
Est. 5-20% average rate increases on affected routes

Service Risk:
Integration disruptions during transition

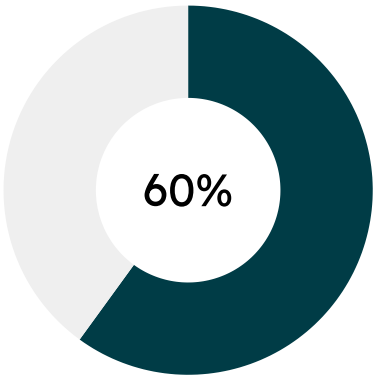
Market Concentration:
Single railroad control of key corridors

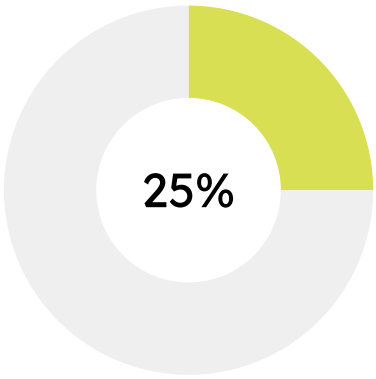
Priority Actions for Chemical Shippers

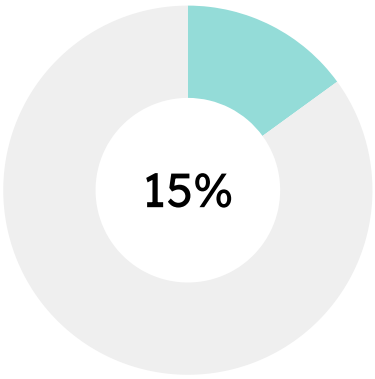
- Map route dependencies and interchange points
- Review contracts for merger protections
- Assess truck/barge alternatives
- Coordinate with ACC advocacy efforts
- Consider supplier diversification
- File STB comments emphasizing competition concerns

THREE SCENARIOS

Regulatory Outcomes & Probability Assessment







Scenario A: Conditional Approval	Scenario B: Heavy Conditions	Scenario C: Merger Blocked
Moderate Remedies	**Significant Remedies**	**Rejection / Withdrawal**
Competitive access on 3-5 corridors	Extensive trackage rights	Overwhelming opposition
Limited facility divestitures	Open access requirements	Safety/financial concerns
Service performance guarantees	Rate regulation on key routes	Status quo maintained
18-24 month integration	Slower synergy realization	Alternative combinations

Strategic Implication

Develop flexible strategies that can adapt to different regulatory scenarios while preparing for the most likely outcome of conditional approval.

90-Day Action plan

Priority 1: Risk Assessment	Priority 2: Contract Review	Priority 3: Advocacy
Route dependency mapping	Force majeure protection clauses	Trade association coordination
Volume analysis by corridor	Rate escalation triggers	Cutsomer communication
Alternative modal analysis	Service level agreements	Supplier discussions
Geographic diversification review	Negotiate removal of paper barriers	STB testimoney preparation

Key Performance Indicators

Dwell Time:
Hours at interchange points

On-Time Performance:
Delivery reliability

Rate Variance:
Spot vs contract pricing

Contingency Planning

Emergency Routing:
Pre-negotiated truck alternatives

Inventory Buffers:
Strategic stock increases

Alternative Suppliers:
Geographic diversification

RISK & MITIGATION MATRIX

Key Threats & Response Strategies

Risk Category	Probability	Impact	Primary Mitigation Strategy
Service Degradation During Integration	Medium	High	Service level agreements, alternative routing, inventory buffers
Pricing Power Concentration	High	High	Contract protections, regulatory advocacy, modal alternatives
Competitive Route Elimination	High	High	Advocacy for competitive access, alternative modal development
Technology Integration Challenges	Medium	Medium	System compatibility testing, backup procedures
Labor Disruptions	Low	High	Labor agreements, contingency planning, alternative carriers

RAIL CUSTOMER COALITION (RCC) LETTER TO SURFACE TRANSPORTATION BOARD:

"The Board must rigorously evaluate the potential impacts of the merger and take meaningful action to enhance and protect competition, service, and supply chain stability."

Logistics Management, September 17, 2025

Risk Management Priority:

Focus on high-probability, high-impact risks like pricing concentration and service degradation. Develop multiple mitigation strategies for each critical task.

SERVICE PROVIDERS

Service Improvements vs. Pricing Pressure

Mixed Impact Assessment

Service providers, including intermodal operators, Transloaders, and third-party logistics providers, may benefit from improved rail service, but some may face pricing pressure from reduced rail competition and potential impacts from a modal shift.



Strategic Opportunities

Intermodal Growth:

Enhanced rail service drives truck-to-rail conversion

Network Design:

Optimize distribution strategies around new rail capabilities

Challenges

Rail Rate Increases:

Reduced competition leads to higher transportation costs

Modal Balance Shift:

Clients may renegotiate truck-rail mix

Contract Exposure:

Existing agreements may not reflect new market dynamics

Service Risk:

Integration disruptions could impact customer commitments

Service Improvements

Single-Line Service:

Simplified transcontinental rail operations

Transit Time Reduction:

~10-15% improvement on key lanes

Reliability Enhancement:

Fewer interchange points reduce delays

Capacity Access:

Better asset utilization improves availability

3PL Action Plan

Assess contract exposure to rail rate changes

Develop contingency routing plans

Evaluate service enhancement opportunities

Strengthen carrier relationships and alternatives

SHORT LINE RAILROADS

Mixed Impact from Network Changes

Key Challenge

Short lines face mixed prospects - some may benefit from new routing opportunities while others risk revenue loss from traffic re-routing that bypasses their networks.



Priority Actions:

- Model revenue impact scenarios
- Strengthen shipper relationships
- Enhance operational excellence
- Coordinate with ASLRRA advocacy

Shippers Could Gain, But Short Lines May Suffer

Today, if a short line connects to both Union Pacific and Norfolk Southern, it can negotiate. After the merger, that leverage disappears.

University of Tennessee Global Supply Chain Institute, August 6, 2025

Risks

Revenue Loss:
Potential volume reduction from re-routing

Contract Renegotiation:
Interchange agreements may require modification

Reduced Bargaining Power:
Fewer Class I partners

Investment Uncertainty:
Capital projects delayed pending clarity

Opportunities

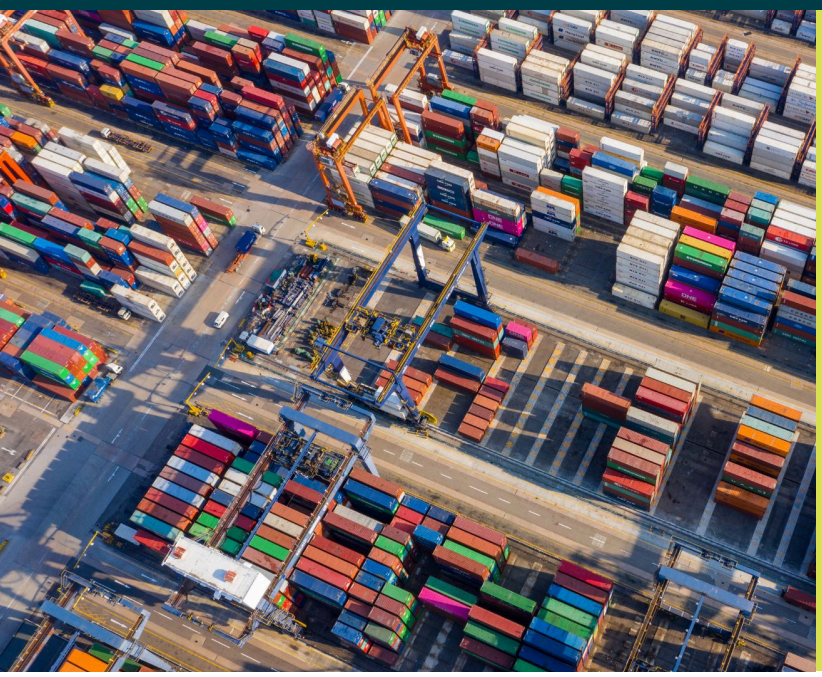
New Traffic:
Network expansion creates feeder opportunities

Strategic Value:
Key locations may see acquisition interest

Service Differentiation:
Specialized capabilities gain importance

Partnership Potential:
Enhanced role as network extenders

Consolidation Creates Opportunities & Challenges



JIM RILEY, PRESIDENT
RAILWAY SUPPLY INSTITUTE

"We have full confidence in the Surface Transportation Board's evaluation of the potential impacts of this merger. Our industry's success is tied to a reliable freight rail network that is the preferred modal transportation choice of shippers, and we will continue to monitor the proceedings."

RSI Press Release Statement, August 7, 2025

Challenges

Customer Concentration:
Reduces Class I customers from 6 to 5

Procurement Delays:
Major decisions postponed during integration

Contract Consolidation:
Existing agreements may require modification

Specification Changes:
Technical standards harmonization

Opportunities

Increased Scale:
Larger entity increases total procurement spending

Standardization Benefits:
Common specs reduce production costs

Innovation Investment:
Enhanced financial capacity for technology

Integration Demand:
Est. $500M+ annual integration capex

Strategic Actions for Railroad Suppliers

Assign dedicated UP-NS integration teams, assess product portfolio alignment, evaluate competitive position, accelerate innovation pipeline, and consider geographic optimization for expanded network coverage

INVESTOR OPPORTUNITIES

Asset Repricing & Consolidation Potential

Investment Thesis

The UP-NS merger represents a once-in-a-decade opportunity to acquire and optimize logistics infrastructure assets that will benefit from enhanced rail connectivity and operational synergies.

Direct Opportunities

Transload Facilities:
Est. 15-25% valuation increase for strategic locations

Terminal Assets:
Enhanced demand from network optimization

Rail-Adjacent Real Estate:
Est. 10-15% premium for industrial properties

Logistics Services:
3PL providers serving enhanced corridors

Roll-up Strategies

Short Line Consolidation:
Acquire and optimize regional assets

Terminal Operations:
Build intermodal platform

Rail Services:
Consolidate maintenance and switching

Technology Solutions:
Rail tech companies benefiting from scale

TONY HATCH, RAIL ANALYST
ABH CONSULTING

"This is about efficiency and reliability," says Tony Hatch, a rail analyst at ABH Consulting. "It's a chance to fix what's been broken in rail for years."

AInvest, July 29, 2025

Strategic Actions for Investors:

Identify logistics assets along UP-NS corridors, assess supply-demand imbalances, build relationships with strategic asset owners, and monitor STB proceedings for divestiture opportunities.

Workforce & Safety Concerns Drive Opposition

SMART TRANSPORTATION DIVISION (SMART-TD) LARGEST US RAIL LABOR ORGANIZATION

"We approach this development with measured skepticism rooted in the real-world impact such consolidation could have on rail workers, safety, service quality, and the long-term health of the freight rail industry."

SMART-TD Statement, July 29, 2025

"Union Pacific said SMART-TD employees would not face involuntary furloughs as a result of the merger and would have job protection for the length of their careers following approval of the transaction."

Trains.com, September 22, 2025



Primary Concerns	Expected Impacts	Potential Mitigations
Job Losses: Duplicate functions eliminated through consolidation	**Workforce Reduction:** Est. 5-10% combined workforce decrease	**Labor Protections:** STB-mandated transition programs
Facility Closures: Overlapping maintenance and operations centers	**Geographic Displacement:** Workers may need relocation	**Retraining Programs:** Skills development for new roles
Safety Risks: Integration challenges could impact safety performance	**Skill Requirements:** New technology demands retraining	**Voluntary Packages:** Early retirement and separation incentives
Bargaining Power: Reduced leverage with fewer rail employers		**Geographic Preferences:** Employee relocation assistance

Labor Strategy

Unions will likely coordinate formal opposition through STB proceedings while negotiating workforce protections and transition benefits as merger conditions.

FINANCIAL IMPLICATIONS

Deal Economics & Market Impact

Revenue Synergies	Cost Synergies
$1.75B	$1.0B
Interchange elimination, service improvements	Operations consolidation, admin savings

Integration Costs	Chemical Shipper Impact
~10-20%	~5-15%
of synergy targets based on previous merger precedents (technology, workforce transition)	Expected average rate increases on affected routes



Market Structure Changes

Transcontinental Intermodal:
Single-line service advantage

Rail Shipper Routes:
Mixed regional impacts

Chemical Corridors:
Reduced competition, pricing power

Coal Transportation:
Minimal competitive change

Asset Repricing Opportunities

Transload Facilities:
Est. 15-25% valuation increase

Rail-Adjacent Real Estate:
Est. 10-15% premium

Terminal Operations:
Consolidation opportunities

Technology Solutions:
Enhanced demand for rail optimization

REGULATORY CONTEXT

STB Framework & CP-KCS Precedent

STB Evaluation Criteria	CP-KCS Precedent (2023)
Competition Analysis: Market concentration and anti-competitive effects	**Competitive Access:** Trackage rights for competitors on key routes
Service Quality: Improvements vs. disruptions to shippers	**Service Commitments:** Performance guarantees with penalities
Financial Stability Combined entity's investment capacity	**Divestiture Requirements:** Sale of overlapping assets
Employment impact Workforce and community effects	**Labor Protections:** Workforce transition programs
	Ongoing Oversight: STB monitoring of integration progress



WHITE HOUSE OVAL OFFICE MEETING PRESIDENT TRUMP AND JIM VENA, CEO UNION PACIFIC

"Vena and President Trump discussed how creating an American transcontinental railroad is a win for U.S. competition, consumers and the unionized workers whose jobs will be protected when the merger is approved, allowing railroads to grow and take more trucks off taxpayer-funded highways."

Progressive Railroading, September 12, 2025

Supportive Factors

- Infrastructure investment support
- Supply Chain resilience focus
- Environmental Advantages

Opposition Concerns

- Further market concentration
- Increased shipper captivity
- Integration service risks
- Safety maintenance concerns

NEXT 180 DAYS

Critical Timeline & Decision Points

	Days 1-60	Days 61-120	Days 121-180
Key Milestones	STB filing preparation, stakeholder reactions	Formal STB application submitted	Public comment period opens upon formal fiiling
Stakeholder Actions	Risk assessment, contract review, advocacy engagement	Regulatory advocacy, scenario planning, sourcing alternatives	STB testimony, contract renegotiation, contingency implementation
Decision Points	Opposition organization level	Advocacy strategy effectiveness	Regulatory sentiment assessment

Universal Next Steps (All Stakeholders)

- Monitor STB proceedings and filings
- Stress-test exposure under scenarios
- Build coalition relationships for advocacy
- Prepare operational contingency plans
- Document current performance baselines
- Engage with trade associations

Sources

Primary Deal Sources

Official Corporate Announcements

- Union Pacific Press Release, July 29, 2025
"Union Pacific and Norfolk Southern to Create America's First Transcontinental Railroad"

Stakeholder Opposition Sources

American Chemistry Council (ACC)

- Official ACC Statement, July 30, 2025
"American Chemistry Council Comments on Union Pacific and Norfolk Southern Merger Announcement"

- AgWeb, September 5, 2025
"Rail Industry Needs Collaboration, Not Consolidation, Says Industry Leader"

Railroad Labor Unions

- SMART Transportation Division, July 29, 2025
"Statement from SMART-TD on the Proposed Union Pacific and Norfolk Southern Merger"

- Trains.com, September 22, 2025
SMART-TD backs UP-NS merger thanks to job security agreement

Multi-Industry Opposition

- Logistics Management, September 17, 2025
"Rail Customer Coalition letter to STB presents various issues relating to proposed Union Pacific-Norfolk Southern merger"

- University of Tennessee Global Supply Chain Institute, August 6, 2025
“What the UP–NS Merger Could Mean for U.S. Freight Rail - Global Supply Chain Institute”

Industry Publications & Analysis

Railroad Industry Press

- Progressive Railroading: Union Pacific Official Statement, July 30, 2025
“Rail News - BREAKING: Union Pacific CEO Vena met with Trump to talk merger, security. For Railroad Career Professionals”

Freight & Logistics Coverage

- FreightWaves, July 30, 2025
“While shippers cite merger concerns, rival railroad looks instead to 'collaborations”

Investment Analysis

- AInvest – Tony Hatch, Analyst – ABH Consulting, July 29, 2025
“Union Pacific’s $85 Billion Merger With Norfolk: A Transcontinental Rail Titan Emerges”

Images

- Analysis Report Cover: Union Pacific Press Release, July 29, 2025
"Union Pacific and Norfolk Southern to Create America's First Transcontinental Railroad"

Last updated: 9/23/25

Ready to Navigate the Rail Transformation?

Our seasoned collective of experts has years of rail expertise & first-hand merger experience.

Our team is ready to help you turn chaos into harmony so your supply chain thrives under volatility.

Contact PraxiChain:
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For ongoing updates, visit PraxiChain's merger resources.

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Practical Minds. Profitable Moves.