

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) October 10, 1997

Union Pacific Corporation

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(Exact Name of Registrant as Specified in Charter)

Utah

1-6075

13-2626465

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(State or Other Jurisdiction (Commission (IRS Employer  
of Incorporation) File Number) Identification No.)

1717 Main Street, Suite 5900, Dallas, Texas

75201

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(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (214) 743-5600

Eighth and Eaton Avenues, Bethlehem, Pennsylvania 18018

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(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events.

Recently, Union Pacific Railroad Company ("UPRR"), the principal rail subsidiary of Union Pacific Corporation ("UPC"), has been experiencing serious congestion problems, especially on Southern Pacific ("SP") lines in the Gulf Coast area but also affecting other lines of the system. In late September 1997, following an intense analysis and planning effort, UPRR adopted a comprehensive Service Recovery Plan. The objective of this Plan is to return service to normal within 60 to 90 days. The Service Recovery Plan involves additional expenditures on locomotives and personnel and the diversion of traffic to other carriers, among other measures.

UPRR has reported to the Surface Transportation Board of the Department of Transportation ("STB") in the ongoing oversight proceeding regarding the UP/SP merger, concerning the recent service problems and the Service Recovery Plan. In addition, on October 2, 1997, the STB initiated a proceeding entitled Ex Parte No. 573, Rail Service in the Western United States, to provide interested persons the opportunity to report on the status of rail service in the western United States and to review proposals for solving the service problems that exist. The STB indicated that it would receive oral statements on the matter at a hearing on October 27, 1997, and would receive written statements by October 23, 1997. UPRR expects to make oral and written submissions to the STB in this proceeding reporting further on its Service Recovery Plan and the progress that is being made in implementing it.

Two railroad competitors of UPRR, Burlington Northern & Santa Fe Railway ("BNSF") and Kansas City Southern Railway ("KCS"), have publicly proposed that they be sold or given access to, or granted the right to control, various UPRR assets as a purported remedy for UPRR's service problems. While UPRR has sought and received constructive assistance from other carriers to deal with the congestion problems, UPRR has declined to agree to the BNSF and KCS proposals on the grounds that they would worsen the problem, are legally unjustified, and are aimed at obtaining competitive advantages that were rejected by the STB in the UP/SP merger proceeding. Neither BNSF nor KCS has applied to the STB for imposition of their proposed measures.

If any such applications are filed, UPRR expects to oppose them.

Certain customers have submitted claims for damages related to shipments lost or delayed in transit while others have indicated an intention to submit claims for damages arising out of delays to their shipments as a result of the congestion problems. In addition, certain customers have asserted that they have the right to cancel contracts as a result of alleged material breaches of such contracts by UPRR. It is not possible at this time to assess the likelihood or magnitude of any such liability or the likelihood that any of such contracts could be canceled by a customer.

UPRR experienced a number of serious accidents in July and August 1997, although most overall safety measures continue to improve. In August and September 1997, the Federal Railroad Administration ("FRA") conducted an in-depth inquiry into UPRR's safety practices and made a number of recommendations for improvements. UPRR is working with the FRA and rail labor to implement these recommendations. The FRA has indicated that it may take enforcement actions against UPRR.

The congestion problems are expected to adversely affect the financial performance of UPRR in the remainder of 1997 and could lower earnings in the first quarter of 1998. UPC currently estimates that 1997 earnings (excluding one-time merger implementation costs) of UPC and its subsidiaries, including UPRR, could be approximately 5-10% above 1996 pro forma earnings of \$664 million, or \$2.71 per share.

The foregoing discussion contains forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. This information is based on facts available on the date of this Report, and is subject to risks and uncertainties that could cause actual results to differ materially from those expressed above. Important facts that could cause such differences include, but are not limited to, whether the Service Recovery Plan referred to above achieves its goals, industry competition and regulatory developments, natural events such as severe weather, floods and earthquakes, the effects of adverse economic conditions affecting UPRR's shippers, changes in fuel prices and the ultimate outcome of environmental investigations or proceedings and other types of claims and litigation.

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

- 99 Press Release dated October 1, 1997 describing the Union Pacific Railroad Company Service Recovery Plan and estimated financial impact of that Plan.

SIGNATURES  
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Pursuant to the requirements of the Securities Exchange Act of 1934, Union Pacific Corporation has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

October 10, 1997

UNION PACIFIC CORPORATION

By:/S/ Carl W. von Bernuth  
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Name: Carl W. von Bernuth  
Title: Vice President & General Counsel

Exhibit Index  
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Exhibit	Description
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99	Press Release dated October 1, 1997 describing the Union Pacific Railroad Company Service Recovery Plan and estimated financial impact of that Plan.

FOR IMMEDIATE RELEASE:

OMAHA, October 1 -- Union Pacific Corporation said today that its subsidiary, Union Pacific Railroad, has unveiled a Service Recovery Plan aimed at eliminating congestion and restoring normal service across the nation's largest rail system.

In a quarterly report filed with the Surface Transportation Board (STB), Union Pacific (NYSE: UNP) spelled out a series of actions that will move as many as 40,000 cars off the railroad and generate the equivalent of 400-600 locomotives for service recovery. The actions encompass train operations and yard activities throughout the UP system.

"We have left nothing to chance in this plan," said Dick Davidson, Union Pacific Corporation Chairman and Chief Executive Officer. "Throughout the organization there is every confidence that it will produce steady improvements over the next several weeks."

Among the actions:

Temporarily divert certain traffic over other railroads throughout the western two-thirds of the United States, including the Burlington Northern Santa Fe, Illinois Central, Kansas City Southern and a number of regional and short line railroads.

Release selected traffic to other railroads. As an example, to free up congested lines the BNSF will operate several unit coal trains between the Powder River Basin in Wyoming and Texas.

Divert trains from heavily-traveled routes along the Southern Corridor to other lightly used lines.

Reroute trains around congested terminals by using satellite yards to handle switching. This will create additional track capacity at major yards in Texas, California and Nebraska to make room for the backlog of trains clogging mainlines.

Suspend some unit coal trains. In addition, eliminate four unit coal trains between the Powder River Basin and Mexico and reduce export coal shipments from Utah to the Southern California ports.

Reposition up to 600 locomotives -- the equivalent of total UP locomotive purchases between 1995-97. To accomplish this, fewer trains will be operated, shorter trains consolidated, locomotives leased, repairs expedited and the number of engines reduced on most intermodal trains.

The Service Recovery Plan was the end product of the most intensive service review in railroad history attended by company managers from across the 36,000-mile system. Problems at every major yard and rail corridor were identified and remedies were devised. "No solution, no matter how unconventional just a few weeks ago, was beyond consideration," said Davidson.

The railroad told the STB in its filing that service within the railroad's Central Corridor, roughly stretching from Chicago to Oakland, should return to acceptable levels within 30 days.

Service in the Southern Corridor running from Memphis and New Orleans through Texas and into Southern California should be back to normal within 60 to 90 days. Once this occurs, UP will begin to restore services that were temporarily withdrawn.

The service recovery effort is expected to adversely affect Union Pacific Corporation's financial performance for the remainder of 1997, and could lower earnings in first quarter 1998 as well.

While third quarter 1997 earnings are expected to be approximately 10-15 percent above last year's pro forma \$.79 per share, this is lower than the increase previously expected by the company, and excludes one-time merger implementation costs as well as the gain from a real estate-related transaction.

Based upon preliminary estimates of the costs associated with the recovery plan, and the recovery timetable as filed with the Surface Transportation Board, the company estimates full-year earnings (excluding one-time merger implementation costs) could be up approximately 5-10 percent versus 1996 pro forma earnings per share of \$2.71.

"Everyone at our company is working hard on restoring service to levels that will satisfy our customers," said Davidson. "We feel strongly that the major actions outlined in our recovery plan will allow this to happen and that customers will once again be offered the best possible service on Union Pacific."

Other highlights of the STB filing:

The railroad reinforced its commitment to working with the Federal Railroad Administration and rail unions to address safety concerns. "UP/SP has fully accepted FRA's challenge to empower its operating employees and instill a stronger focus on safety throughout the organization," the STB filing said.

Union Pacific said the schedule for implementing its computerized Transportation Control System on the former Southern Pacific has been advanced by several months and will be entirely completed by March 1, 1998.

(This press release contains forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. This information is based on facts available at this time, and is subject to risks and uncertainties that could cause actual results to differ materially from those expressed above. Important facts that could cause such differences include, but are not limited to, whether the Service Recovery Plan described above achieves its goals, industry competition and regulatory developments, natural events such as severe weather, floods and earthquakes, the effects of adverse economic conditions affecting the Company's shippers, changes in fuel prices and the ultimate outcome of environmental investigations or proceedings and other types of claims and litigation.)

For a detailed summary of the Service Recovery Plan: [www.uprr.com](http://www.uprr.com). Visit "News Releases."