Industrial Products Update

Dave Garin
Group Vice President, Industrial Products

John Miller
Vice President, Industrial Products Sales

Bob Lease
Vice President, Service Design and Performance
BNSF Volume – 1st Half 2013

Total units and % change from 2012

- **Coal**: 1,061, +1.2%
- **Industrial Products**: 918, +13.2%
- **Ag**: 469, -8.0%
- **Consumer Products**: 2,430, +3.5%

2013 First Half Total BNSF Volume 4,878, +3.4%
Construction Products

Demand Drivers
- Construction: residential, road and non-residential
- Drilling activity

Market Conditions
- Moderate improvement for cement, aggregates and steel
- Strong oil drilling markets and weakness in natural-gas prices driving minerals

BNSF Market Strategy
- Leverage unit-train conversions
- Build on success with jointline and interline partners
- Expand market presence

Opportunities and Outlook
- Cement/aggregates to return to pre-recovery highs in 2018
- Steel to return to pre-recovery highs in 2015

Cement Market Fundamentals
- 2012: 78 million Tons
- 2013: 82 million Tons

Data Source: Portland Cement Association (PCA) – April 2013, Forecast Report
Energy Products & Fuels

Supply-Driven Petroleum Markets
- Shale, oil sands and offshore production of crude and NGL
- Demand limited for refined fuels and corn ethanol

Current Market Conditions
- Innovative supply chains
- Water imports displaced
- Refiners running traditional slates … for now

BNSF Market Strategy
- Supply-chain efficiency
- Infrastructure investment
- Value and competitive pricing

Opportunities and Outlook
- New origins and destinations
- Crude types/blends and NGL
- RFS mandates for biofuels

Source: US EIA
Building Products

Demand Drivers

- Housing market - repair & remodeling
- Consumer spending

Market Conditions

- Recovering housing market
- Lean lumber inventories
- Limited/slow growth in paper/pulp

BNSF Market Strategy

- Shippers/Receivers
- Equipment strategy

Opportunities and Outlook

- Growth in housing
- Southern Yellow Pine
- Short-haul/regional moves

Source: U.S. Census Bureau, RISI, NAHB - December 2012
Chemicals & Plastics

Feedstock Costs Drive Production
- Worldwide market
- Resins and chemicals export from cheap feedstock regions to low-cost end-use product manufacturers

Current Market Conditions
- Slow-growth domestic demand
- Massive investment to exploit low-cost shale ethane/propane

BNSF Market Strategy
- Invest to position for future
- Export plastics strategies

Opportunities and Outlook
- Long-term benefit to North American petrochemical firms
- Volume growth starting in 2015
- Increment primarily to export

Source: American Chemistry Council
Food and Beverage

**Demand Drivers**
- Domestic consumption, population growth, weather, export economics

**Market Conditions**
- Continued consolidation
- Convenience packaging

**BNSF Market Strategy**
- Increase velocity
- Create balance
- Volume density

**Opportunities and Outlook**
- Limited long-term growth close to 2%
- Impacts to transportation mode from changes in how, where and what people eat

*Source: IPI Foods less Beverage and IPI Beverages / 5 year CAGR: Foods 1.0%; Beverage 2.9%*
Improving Service and Better Collaboration

BNSF is continuously focusing efforts on improving service to our customers

YOUR FACILITY

Understand your business

FIRST MILE & LAST MILE

Improve gathering & distribution

LOCAL YARD

Coordinate regional customers

MAIN LINES

Optimize BNSF rail network
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Customer Support Excellence

BNSF’s Customer Support Center is the only railroad customer service group to earn Purdue University’s Center of Excellence Certification

- **Market Expertise** – Commodity aligned teams take pride in understanding your market and helping you to meet your unique shipping challenges
- **24-Hour Assistance** – Help is never far away through our 24-hour over-the-phone customer assistance
- **Customer Satisfaction** – The Customer Support Carload Team is focused on maintaining high-caliber customer service
  - 87% achieve resolution on first contact
  - 97% customer satisfaction through survey
Enriching the Customer Experience
Re-engineer BNSF enterprise processes using the customers’ perspective

“Filter out equipment that doesn’t apply to me.”

“When planning and pricing out potential routes, provide me with visibility to all my options.”

“Long cycle times, confusing and conflicting processes, surprises, added costs and delays down the road.”

“Please tell me what the fuel surcharge would be.”

“BNSF loses business because of delays in price requests.”

1. New Business Ease
2. Pricing & Rates
3. Simple Billing
4. Intuitive Tools
5. Customer Customization
Improving New Business Ease

Streamlined the entire internal Economic Development process to allow for better communications, shortened cycle times and continued visibility.
Easy Pricing and Rates Information

Completed high-level assessments of pricing capabilities and implemented **new and improved tools and processes**

**Customized Rate Profile Tool**
- Launched April 2013
- Top customer-requested capabilities
  - Extension of the Carload Shipping Advisor
- Manage rate changes for commodities and lanes you most frequently use/move
Develop Intuitive Customer Tools

Fundamentally shift the customer Web experience from focusing on applications to tasks or functions

Today

Where do I go...?
What issues exist?

Tomorrow

I want to...
I can....
Intuitive Web Experience

2012
Understand Our Customer
• Define business objectives
• Gather objective customer feedback
• Create simplified customer experience based on insight
• Develop prototype and plan for future implementation

2013
Lay the Foundation
• Implement new look and feel throughout the portal
• Provide a role-based experience with focused help content
• Bring attention to alerts, notifications and other actionable content
• Ensure all current functionality is still available

2014
Transition the Experience
• Understand functionality we currently provide through existing applications
• Determine intuitive activity groupings
• Define how personas should offer information
• Evolve help information to better support

2015
Continually Enhance
• Navigation and search become task- and functionality-focused
• Experience becomes persona-driven
• Mobile capabilities expanded
• Plan for expanding new look and feel beyond secured features starts

I want to... I can...
• See my alerts
• Start a shipment
• See my charges
• Pay my bill
• View my shipments

Deliver Focused Content
Would you like to release your car?
Your pipeline needs attention.

“Larry Logistics”
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Vice President, Service Design and Performance
Outside of service interruptions, planned maintenance and construction impact both momentum and velocity.

Legend
- Potential issues
- Persistent issues
- Planned maint.

- Laurel maintenance and congestion
- Glasgow sub maintenance Minot yard maintenance
- Northtown planned outages 8/26-8/30
- Capacity, crew, and maintenance challenges have hit velocity from Willmar to Tulsa via Lincoln and Kansas City
- Galesburg Group 1 and 2 90’ reduced production 9/10-9/14
- Kansas City Master Replacement 14’ outage 9/2
- Avard, Cherokee, and Hannibal sub maintenance projects
- Red Rock, Fort Worth subs maintenance Tower 55 project
- Lincoln: yard capital plan
G&D Planned Metric Changes Put Optics on the Customer Experience

<table>
<thead>
<tr>
<th>Current G&amp;D Metrics</th>
<th>Future Industry Metrics</th>
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<tbody>
<tr>
<td><strong>Internally Focused</strong></td>
<td><strong>Externally Focused</strong></td>
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<tr>
<td>25% Spot Compliance (WOR Only)</td>
<td>• Was all assigned work completed?</td>
</tr>
<tr>
<td>25% Pull Compliance (WOR Only)</td>
<td>• Did we pull/spot cars within assigned window?</td>
</tr>
<tr>
<td>25% Distribution Connection RTRD</td>
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<tr>
<td>25% Gathering Connection Dwell</td>
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**Timeline for Development and Key Outcomes**
- Q4 2013: developing field communication and training plan
- January 2014: planned start for measurement across system
Changes to Hazardous Material Transportation

BNSF has had multiple risk mitigation processes and support technology in play for numerous years. Recent changes simply build on what is already in place.

New Key Train Designation:
One or more loaded PIH/TIH tank car(s) or 20 or more loaded hazardous cars

Impact Summary/Operating Instructions:
- Maximum authorized speed for Key Train is 50 mph
- Key Train cannot be left unattended on a mainline track or side track outside a yard or terminal unless specifically authorized
- New rules in securing/disabling locomotive
- Increased communication between crew and train dispatcher