

SHORTLINE

Connection



Second Quarter 2015

Shortline Message

Recent meetings provide opportunities

BNSF recently hosted our spring shortline caucus meeting in Fort Collins, CO, and PNW regional conferences in Seattle and Spokane. I greatly appreciate all the shortlines present in these meetings, and the BNSF team members who provided updates to the groups. I also thank OmniTRAX for serving as our host at their Great Western Industrial Park in Windsor, CO, on the second day of the caucus meeting. These meetings are a great opportunity for the shortlines and BNSF to share information, discuss issues and opportunities, and network. Throughout my career, I have found open, honest communication between internal and external parties to be the best way to build strong relationships.



BNSF's shortline caucus is made up of representatives from 14 shortline railroads, along with ASLRRRA President Linda Bauer Darr. The caucus was formed in 2010 to improve communication between BNSF and its connecting shortlines. At this year's spring caucus meeting in Fort Collins, 12 of our members participated in the meeting. At all of our caucus meetings, we poll our members on future business levels, BNSF's service performance, and members' experiences with BNSF Marketing & Sales teams.

In terms of the business outlook for the next three to six months, the majority of caucus members felt business levels would remain the same as they are today. BNSF

business leaders in Agriculture and Industrial Products shared their market perspectives with caucus members.

BNSF's soybean volumes to the PNW and overall PNW export volumes set records between October 2014 and March 2015. However, grain shipments have slowed considerably in the second quarter of 2015, with farmers electing to store crops rather than sell at low prices. Not much is expected to change in terms of rail shipment, until the current crop is harvested this fall.

Much of the growth in Industrial Products over the past five years may be attributed to the oil and gas industry. With lower crude oil prices, oil producers have cut back their exploration and production budgets, reducing shipments of crude oil, frac sand, pipe and other commodities used in the oil and gas industry. Along with lower activity in oil and gas, weather and the strong dollar are

impacting BNSF's Industrial Products markets.

The majority of BNSF's caucus members felt BNSF service has improved over the past six months and they were confident BNSF would maintain these improved service levels through the rest of 2015. BNSF is spending significant capital to increase capacity and improve its service. BNSF plans to spend \$6 billion in 2015 and has spent more than \$20 billion in capital since 2011. Service metrics are up considerably since November 2014, especially within the Agriculture and Industrial Products segments where shortlines participate in a larger percentage of BNSF's business.

In addition, caucus members felt shortline interactions with BNSF's marketing and sales teams have improved. Our caucus meetings, shortline regional meetings, annual conference and individual shortline marketing days all offer opportunities for our shortlines to interact with BNSF's marketing and sales teams. At our PNW regional meetings, our PNW Industrial Products sales team reinforced the fact shortlines originate and terminate much of the traffic on that division.

Do you share the same sentiments as our caucus members? BNSF welcomes feedback from our shortlines. If you have feedback which you would like to share with us, please reach out to me or one of our shortline directors. You may also share feedback with any of the BNSF shortline caucus members. I hope to see you at some of this summer's shortline events.

Mend J. Lieb

Inside

Save the date! Invitations going out soon for BNSF's Shortline Conference.

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Join us for 2015 Shortline Conference

Growth, investment, safety, service, velocity the focus this year

BNSF Shortline connections should plan to attend BNSF's 2015 Shortline Conference, which will return to downtown Fort Worth.

The annual conference, to be held Oct. 21-23 at the Worthington Renaissance Hotel, is the perfect opportunity to meet BNSF representatives face-to-face, discuss new business opportunities and connect with other shortlines. The conference will once again feature commercial workshops and panels of key BNSF leaders. This year's conference will focus on growth, investment, safety, service and

velocity.

BNSF presentations will highlight current topics of interest, and provide updates on the various Business Units. BNSF's shortline development group is currently planning several programs that will discuss key initiatives affecting BNSF and its shortline connections.

Pre-scheduled individual meetings are also available to facilitate one-on-one discussions with BNSF representatives.

Networking and dinner events will provide attendees with time to visit and get to know other participants



2015 BNSF Shortline Conference

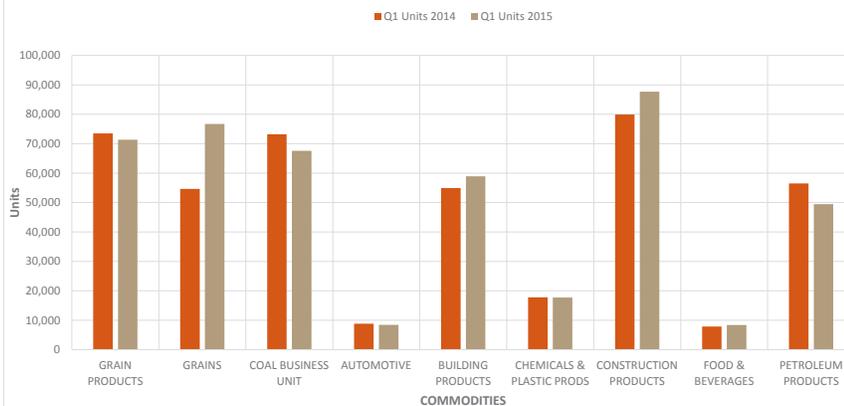
Oct. 21-23, 2015
Fort Worth, Texas

Formal conference registration materials will be provided on-line and sent via email

Inside the Numbers



Shortline Volume 2014/2015



and BNSF employees.

The return of the conference to downtown Fort Worth in 2014 was considered a success, as 84 percent of attendees rated the meeting as "Excellent" or "Very Good".

In particular, the Worthington Renaissance was a popular location with conference attendees. The new urban revitalization of Sundance Square boosted the conference site with a 97 percent approval rating. The heart of downtown Fort Worth offers dining, live music, shopping, theatre and a large pavilion perfect for an evening out – a great venue after a day of successful business meetings.

Invitations will be going out soon, so please watch your e-mail. If your e-mail has recently changed, please notify your BNSF Shortline Development director to ensure prompt receipt of your invitation. Please mark your calendars and plan on joining BNSF in Fort Worth!

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Shortline Mission Statement: Our vision is to realize the potential of BNSF's shortline connections by leveraging the capabilities of both BNSF and its shortline connections to drive profitable growth.

Teamwork

KFR, BNSF work together to expand business

The Kettle Falls International Railway (KFR) was looking for a way to improve service along its leased route which follows the Columbia River in northeastern Washington and crosses the Canadian border.

Chief Commercial Officer Peter Touesnard knew investments in infrastructure and people would increase velocity and stimulate growth, but KFR needed to collaborate closely with BNSF to achieve its objectives.



Late last year, KFR worked with BNSF to create a plan to benefit both railroads and enhance customer service on the 133-mile line. By making investments in track and locomotives, the OmniTRAX-owned shortline strengthened its ability to grow business.

KFR is already seeing results. During the last six months, KFR improved speeds along its lines between the BNSF interchange



A collaborative effort with BNSF has enabled the Kettle Falls International Railway to become an attractive place for growth.

at Chewelah, Washington and Columbia Gardens, British Columbia, and between West Kettle Falls, Washington and Grand Forks, British Columbia. Some of the slow orders that curbed velocity in these areas have already been removed.

KFR's existing customer base of lumber, plywood, wood products, minerals, metals, fertilizer, industrial chemicals, and abrasives products

is growing due to improved service times, says Touesnard.

"We felt we could do more here, but needed a good foundation to start from," he said. "We had a very open dialogue with BNSF, and they were creative in helping to address our concerns. The

result is a plan that makes the KFR an attractive place for growth."

Better service leads to new opportunities

Business is up 22 percent year-over-year on KFR, with more carloads from a trio of companies that produce mining, lumber and abrasives.

Touesnard says customers are benefiting from the railroad's enhanced ability to deliver.

A major customer specializing in mining products increased its volume, and another shifted some business KFR's way from another shipper because of better turn times and equipment availability.

Also, the return of growth in the housing market has stimulated more carloads of panel and lumber products. One lumber customer under new ownership has increased its business, helping KFR justify adding more crews.

KFR increased operations from five trains weekly to to six days weekly, and is considering increasing frequency to



seven days on some routes.

“It’s expansion of existing business along with a rebranded customer,” Touesnard said. “We had a customer that was bought out, and this new customer is more aggressive in the marketplace.”

KFR also is working with BNSF to expand its service footprint by providing links to other OmniTRAX properties. One potential transload has already been identified.

“That would be a pitch-catch relationship for us, which is something we see benefits from every time,” Touesnard said.

Working together better positions KFR

Touesnard said by teaming up with BNSF, the railroad transformed from a marginal operation to a growing enterprise. A big reason is the investment to improve infrastructure and the confidence to make personnel changes.

A multi-year plan to rehabilitate track and bridges, which move along and over the Columbia River on the line’s eastern branch, was a priority.

Upcoming events

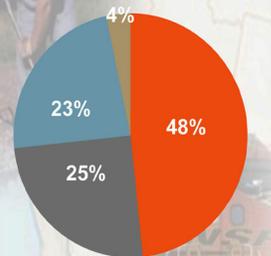
ASLRRRA
Accident/Incident
Reporting Training Seminar
Aug. 4-6, 2015
Kansas City, MO

2015 ASLRRRA
Central Pacific Meeting
Sept. 12-15, 2015
Scottsdale, AZ

2015 BNSF Shortline Conference
Oct. 21-23, 2015
Worthington Renaissance Hotel
Fort Worth, Texas

Record Investment Continues in 2015 to Meet Capacity Demands

BNSF’s 2015 Capital Commitment \$6B



Core Network and Related Assets
Expansion and Efficiency
Locomotive, Freight Car, and Other Equip
PTC



\$2.9 billion
Core Network & Related Assets



\$1.4 billion
Loco, Freight Car, & Other Equip



\$1.5 billion
Expansion & Efficiency



\$200 million
PTC



Because the rail line has a lot of twists, turns and grades – a robust capital maintenance program is a must, said Touesnard.

KFR is working closely with BNSF’s bridge team to address some areas along the line that are in need of immediate attention. KFR crews are tackling other track issues with input from BNSF.

“It’s a really good capital plan associated with the rail line,” Touesnard said. “We’re collaborating closely with BNSF on the project.”

KFR also brought in a new general manager – Winston Deason. Deason has experience working extremely well with the railroad’s transportation crews and customers, Touesnard said. Deason’s hands-on leadership and willingness to work hard to get the job done has affected the KFR workforce.

Soon after Deason’s arrival, the KFR began to see a change in its culture. Touesnard said the railroad’s employees rallied around their new GM and the quality of service

“improved almost immediately.”

The changes at KFR have fostered positive collaboration with BNSF.

KFR’s commercial teams are working in unison with BNSF to explore and secure more business opportunities that bring value to customers.

“BNSF and KFR are coordinating more closely on marketing and operating initiatives in order to provide a competitive value proposition to our customers,” said BNSF Shortline Director Steve Salzman.

The improvements are an example of how shortlines and BNSF can work together to achieve positive results.

“This railroad has a demanding infrastructure and BNSF recognized our challenges, and we put a plan together to address long-term infrastructure concerns,” Touesnard said. “It’s now a better program, which allows operations and sales to focus on improving service and building business.”



Get mobile with BNSF

When you’re on the go, *Shortline Connection* is at your fingertips via your mobile device. Read us on your smart phone or tablet at www.bnsf.com/slc.

It’s as easy as 1-2-3. Simply Select, Click and Enjoy!



Two tools to help reduce dwell

Improving shortline dwell time has a significant effect on the bottom line for BNSF and shortlines. For example, reducing average dwell by either a partial or whole day can have a significant impact on a shortline's annual car hire expense.

"We realize that car hire is a major expense for the shortline community," says Ken Jacobs, BNSF's director of system support. "Reducing dwell and looking for opportunities to improve velocity can impact these expenses."

BNSF provides various tools to assist with shortline dwell management, including the following:

Shortline Velocity Tool - SVT

BNSF's Shortline Velocity Tool (SVT) offers a historical perspective on how quickly a railcar processes through shortline networks. The SVT is designed to identify opportunities to improve efficiency, velocity and capacity of railcar equipment in an effort to reduce expenses and provide better service to our customers.

BNSF defines shortline railcar dwell as the number of days from

Best practices for empty railcar orders

1. Keep equipment requests current/accurate. BNSF recommends equipment requests be current by adjusting railcar quantities to accurately reflect demand.
2. Set "Want Date" as the time for interchange. For a shortline equipment request, the want date represents the targeted date that BNSF plans to interchange the railcar to the shortline, (not the date of the spot to the customer).
3. Give plenty of lead time on equipment requests. A minimum seven-day lead time is required for ordering empty railcars.

4. Place orders several weeks in advance. RER allows for railcars to be ordered up to four weeks ahead of time. Also, knowing future railcar needs enables BNSF to better establish plans to meet those needs.



These tools are designed to assist with dwell management and help to improve overall service to our customers. They can be accessed by contacting our eBusiness team at (888) 428-2673, option 4, 1 or email eBizhelp@bnsf.com

interchange delivery from BNSF to the shortline, to interchange receipt from the shortline to BNSF.

The SVT provides overall dwell summaries and the ability to drill into fleet and station level detail. In addition, dwell trends may be tracked for a variety of time frames that range from as little as a few days up to

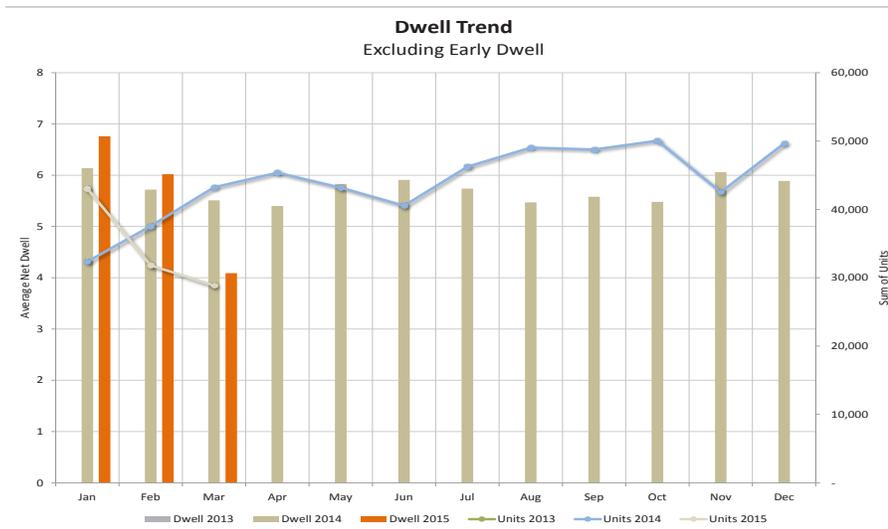
multiple years as a means to identify trends. A year-over-year report shows car counts, early dwell, total dwell, percentage changes and total dwell minus early dwell.

Additionally, within the SVT is a link that provides actual performance details with respect to the specific versus the standard hours specified in BNSF-Shortline Interline Service Agreements (ISAs).

Inside the Numbers



BNSF Dwell Trend thru 3/31/15



Railcar Equipment Request - RER

Empty railcars are routed throughout the BNSF system based on customer demand, which requires advance planning by both the participating shortline and its customers. Planning ahead and keeping accurate empty railcar requests current in the system are critical to helping secure the right railcar in the right place at the right time.

BNSF's Railcar Equipment Request Tool (RER) allows users to create, maintain and monitor BNSF equipment requests in real time. Either shortlines or customers can utilize a RER to order empty railcars. In addition, even though customers may place equipment requests, shortlines should monitor the equipment request status in order to assist with dwell management.