



4th Quarter 2013

Shortline Message • with Dick Ebel

Conference leaves an impression

Presentations, networking highlight our 2013 BNSF Shortline Conference

The BNSF Shortline Conference was a successful gathering of our shortline connecting carrier representatives and a broad range of BNSF staff members. It is so amazing to see how quickly the event comes and goes each year. The Shortline Directors and I greatly appreciate your active engagement with us each year at this event.

I thought it would be appropriate to grab some of the headlines that came out of our post conference survey – your feedback to us on what went well and areas you felt we could improve our interaction.

BNSF shortline directors were everywhere – discussing new business opportunities, problem solving, or just interacting with old friends – and we received favorable feedback on this. Overall, 78 percent of the participants rated the conference event as excellent or very good. The remaining respondents rated the conference as average.

The highlights of the event were the presentations and the networking opportunities, and some clutch pinch-hitting by Paul B. Anderson.



Paul did a great job filling in for Sam Kyei with the Economic Outlook, which attendees voted among the top-rated presentations. I had heard many comments prior to Paul's update that the attendees were disappointed with Sam not being available. But 99 percent rated Paul's work as excellent or very good – Sam is going to have to step his game up! His update was very informative and Paul was able to keep the crowd energized – even at 7:30 a.m.

Roger Nober's Legal, Regulatory, & Government Affairs Update, President and COO Carl Ice's Update and Dean Wise and Dick Ebel's Opening Comments were among the conference favorites.

The new format of holding Commercial Team meetings, Workshops and Information Sessions appeared to be a big success. The Commercial Team meetings were the highest rated with three of the six topics receiving marks of excellent or very good from greater than 85 percent of respondents.

Several recommendations were offered to improve the future Shortline Conferences:

- Traveling on Sunday to get to the conference was noted as not desirable. Our conference in 2014 has been reset to start with a reception on Wednesday evening.
- Commercial Team meetings and Workshops overlapped and start times were staggered, which prevented attendees from getting to meetings they wanted to attend. Suggestions were to shorten the meeting time slots and offer more repeat occurrences to allow more capability of attendees to rotate through the sessions of interest to them.
- The venue in Irving received many positive comments, and while we believe these comments are a great tribute to our conference site of recent years, we feel next year's locale will be more favorable. BNSF is proud to announce that we will be returning to downtown Fort Worth for 2014 and will be at the Worthington Renaissance. This will be very convenient to the recently redeveloped Sundance Square. We have already heard the positive buzz about the decision to return to Fort Worth.

Thank you for your participation and ongoing interaction. That is the only way we can improve on what we do.

As we close out 2013 we wish you and your families a happy holiday season and blessed New Year.

Dick Ebel

In this issue



We devote all of this issue to our 2013 Shortline Conference, and proudly feature two shortlines that received special recognition for their achievements the past year.

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Our Mission

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

BNSF 2013 Shortline Conference



From left to right, BNSF Executive Vice President Operations, Greg Fox, BNSF Vice President Service Design and Performance, Bob Lease, and BNSF Vice President Transportation, Dave Freeman, update conference attendees on BNSF 2013 Operations.

Shortlines, BNSF must execute seamless handoffs to succeed

The relationship between BNSF Railway and its shortline connections to move commodities is akin to teammates in a relay race. Timing, speed and precision are required in handing off cars en route to their final destination. For BNSF and shortlines the quest to provide excellent service, grow business, develop a world class supply chain and invest for safety, efficiency and growth depends on a seamless handoff of the baton.

"We're really a relay team," emphasized Dean Wise, BNSF Vice President Network Strategy. "We try to bring you the tools and integrate the tools so we may work together to match up velocity with demand."

Approximately 180 shortline representatives participated in the three-day Shortline Conference in October, which included a variety of workshops, commercial sessions, updates and one-on-

one meetings in Irving, Texas.

Through collaboration, shortlines and BNSF gain a stronger position to succeed in what Wise described as "a tempo of change in the railroad industry." Commodities that were once leading the industry in revenue are no longer at the front of the pack. For example, coal is no longer the frontrunner for growth among energy-related products, which is today led by oil and gas shipments. In addition, agricultural commodities were impacted by an ongoing drought.

With today's market changes for certain commodities, increased volumes and BNSF's aggressive capital expansion --- the operation of railroads requires a more cohesive effort among all players. BNSF President and Chief Operating Officer, Carl Ice, shared his goal for reaching better levels of service.

Together BNSF, shortlines may improve dwell

Assistant Vice President Shortline Development, Dick Ebel, stressed how BNSF and shortlines can support one another by focusing on ways to keep traffic moving, such as putting Interline Service Agreements in place, updating Serving Carrier/Reciprocal Switch (SCRS) records, and teaming up on new business reviews.

BNSF and shortlines are making progress on updating SCRS records. Fifty-three percent of all assigned roads were completed and 90 industry locations were added.

Ebel emphasized that shortlines and BNSF need to continue efforts to put ISAs in place as expectations for interchanges will continue to be reinforced. To date, BNSF shortlines have 192 active ISA agreements in place, and Ebel said that number will grow through continued local communication.

As dwell time increased in the second half of 2013, the opportunity for savings is great. By reducing dwell time by one-tenth of a day about \$500,000 in annual car hire cost is saved.

"This is one of those areas that you always want to look for continuous improvement," Ebel said. "It's really important for us to work together to reduce dwell."

Relationships still 'very important in this business'

Improved communication and relationships are integral to success.

"Relationships are still very important in this business," said Dave Garin, Group Vice President, Industrial Products.

BNSF has taken an aggressive approach to being visible with its shortlines and its customers.

Since 2011, BNSF increased personal visits with more customers and local BNSF crews to gain a better understanding of day-to-day



BNSF's Vice President Marketing Support, Paul Anderson, says hang on for 2014.

Stay the course

Regulatory and environmental hurdles remain on the horizon, but the tenuous economy continues to show encouraging signs.

The outlook for 2014 is favorable, said Steve Bobb, Executive Vice President and Chief Marketing Officer.

While extreme domestic drought and strong global competition led to lower grain exports this year, BNSF capitalized on short-haul corn shipments to Midwest ethanol plants. Meanwhile, agricultural volumes are expected to rebound in the fourth quarter with a predicted record corn crop and above average yields for soybeans and wheat.

"It's been a good year for our coal business because our customers are back on the grid again following a very challenging 2012 because of low natural gas prices," Bobb said. "While there are EPA regulatory uncertainties in the long term, we don't think (Powder River Basin) coal is going away."

From an economic perspective, the U.S. economy is a bit of a mixed bag but the pace is picking up. Paul Anderson, BNSF's Vice President of Marketing Support, said even though the economy is a good news-bad-news story, there are still more positive than negative trends. Housing starts and vehicle sales are up while the annualized growth of consumer spending has leveled off. But spending growth looks to stay the course through 2015. Signs also point to an increase in GDP of between about 2 percent to 2.5 percent next year.

"Just hang on," Anderson added. "We have some headwinds working against us this year, but 2014 is looking better."

Ice said BNSF will continue to position itself in the future to handle growth, as evidenced by the company's aggressive capital campaign in 2013. Without growth, BNSF and its shortline connections will have a tougher time building momentum.

BNSF will continue to add capacity to ensure that we meet demands.

With all that in place, BNSF and shortlines have a grand opportunity to make this a successful race but we must remember every handoff of the baton counts.

Topics for Discussion

BNSF held numerous commercial discussions during the 2013 Shortline Conference. Below are highlights from some of the most popular dialogues between BNSF and the conference attendees.

New Business Review Workshop

One of the fastest growing commodities moved on rail gained an advantage when the Portland & Western Railroad (PNWR) participated in BNSF Railway's New Business Review (NBR) process, which reviews proposals for large volume movements including unit trains. During a breakout session, David Anzur, PNWR's Director of Marketing and Sales, showcased the best practices example of how the NBR process empowered PNWR to better handle a new crude business opportunity.

During the NBR process, Anzur and PNWR gained a path to accommodate crude oil unit trains that originated in the Bakken Shale with a destination in Port Westward. The NBR planning resulted in a different interchange location and better management of the crude trains and manifest trains headed into PNWR's yard. Previously the exchange would require the mainline to be used to interchange the trains, resulting in additional time. By moving the interchange, it cleared the mainline and increased velocity.

At the NBR workshop, Bob Edwards, BNSF Director, Opportunity Management; and Gene Knipp, BNSF Director Interline & Special Projects, shared an overview of the NBR process and the benefits to shortlines.



BNSF's Patrick Moynihan offers a briefing on Chemicals and Plastics during one of the Commercial Team Meetings at the BNSF 2013 Shortline Conference. The event offered 16 breakout meetings and updates presented by BNSF executives.

Knipp said the NBR process benefits all parties involved in a new business transaction by ironing out the details in advance to ensure streamlined implementation.

Through NBRs the stakeholders evaluate new opportunities across the BNSF system, including the construction of new infrastructure.

BNSF's Opportunity Management team works closely with Shortline De-

velopment and other key groups when any request surfaces. The first step is to validate the opportunity and ensure the additional business will be fulfilled within operating guidelines to meet customer expectations.

Shortlines are encouraged to contact BNSF representatives to analyze new business opportunities. In 2012, BNSF reviewed 962 NBRs and 27 percent included shortlines.

Economic Development Workshop

Vann Cunningham, BNSF Assistant Vice President, Economic Development, told attendees at the conference the best path for success is "to find the right customer, at the right location, with the right facility, and provide the right service."

The Economic Development group manages new and expanding business development opportunities while providing sites and facilities to meet customer demand for direct and indirect rail service. Recently, BNSF increased the acquisition of land for future development and the activities mean more deals that include shortlines. In 2012, 10 percent of BNSF's completed projects were joint efforts with shortlines.

Petroleum Products Commercial Meeting

Charles Moore, BNSF Director for Petroleum Sales, detailed the shift in balance of crude oil transport by pipeline versus rail in the last three years. Through increased productivity and infrastructure investment, rail transport now significantly outpaces movement of crude oil by pipeline in certain geographies.

In 2013, the amount of crude moved from the Williston Basin was primarily handled by rail with 67 percent shipped by rail and 25 percent moved by pipeline. Crude shippers see value in rail's capacity to serve new markets, flexibility and speed. In 2010, only 6 percent of crude from the Williston Basin production was moved by rail, as opposed to 74 percent by pipeline.

U.S. unconventional crude oil production has increased more than 80 percent over the last two years and is approaching 850,000 barrels per day in the Williston Basin. Canadian oil sands production is also expected to grow to 5.2 million barrels per day by 2030.



BNSF Shortline Conference

Agricultural Products Commercial Team Meeting

One topic on the minds of those who attended the session devoted to agriculture – the ongoing evolution of the covered hopper network. The next step in the evolution is the replacement of older and longer hopper railcars with the next generation, wider units that enable trains to haul more volume yet stay within the same train length of 110 conventional cars, the standard at most grain shuttle facilities. During the conference, Assistant Vice President Agricultural Products, Marc Allen discussed the new car advantages.

The new cars have the same capacity of the larger car, enabling a train to increase its capacity by 6-7 more cars while maintaining the same length. BNSF is replacing some existing cars and adding these new ones on line in 2014.

“We envision the day soon that the 4,750s will be very rare on our railroad,” Allen said.

In the meantime, Allen doesn't see any future change in the footprint for shuttle facilities to accommodate longer trains. Trains of 115-116 smaller cars are a good fit for the facilities that were built to handle 110 of the prior generation of covered hoppers.

SAVE THE DATE 2014

BNSF Shortline Conference
Oct. 22-24, 2014
Fort Worth, Texas

ASLRRA Meetings
Railroad Day on Capitol Hill
March 13, 2014

ASLRRA Annual Convention
April 22-25, 2014
San Diego, Calif.

Attendees Speak Out



Andrew Fox of the South Shore/Anacostia & Pacific asks a question during the General Session. BNSF's shortline partners were encouraged to say what was on their minds during the three-day conference.



“We are a small shortline with 65 people. It's nice to hear the BNSF Railway's perspective regarding the economic analysis and market trending things. BNSF has top-notch forecasting and trending analysts. We don't always have the resources to do that.”

“The best thing for us is getting face time with people we've worked with on a regular basis. That's a big part of it, getting to know the marketing people better. The people side is very important.”

- Andy Laurant, Director Marketing & Sales
Chicago South Shore & South Bend Railroad

“I really like the breakout sessions and I find that hearing how different commodity groups are trending in the market place very beneficial. It's a great networking opportunity and a good way to meet folks you've worked with. With today's way of communicating through technology, I think it's very beneficial to meet face to face to help solidify that working relationship.”

- Anita Horton, Marketing Manager
Missouri & Northern Arkansas Railroad Co., Inc.

Spotlight



Innovative spirit enables MRL to achieve top 2013 BNSF honor

To effectively cover its 957-mile service network, Montana Rail Link must keep its eye on the ball, or, in this case, the iconic red dot on the nose of its locomotives.

Following the company's vision of "excellence in safety, service and ingenuity" helps position the shortline to reach new business levels. MRL is known for focusing on network and terminal velocity initiatives, responding to changes in traffic volume, investing in infrastructure and maintaining a safe working environment.

"We don't want to rely on doing things the same old way as they've been done before," said MRL President Thomas Walsh. "We always want to look for a better way."

It's MRL's innovative spirit that helped it gain the title "Shortline of the Year" during the 2013 BNSF Railway Shortline Conference in Irving, Texas. Partnering with BNSF and working closely on joint initiatives helps the Class II carrier develop new business along the former Northern Pacific route.

The BNSF and MRL relationship enables MRL to handle more business and react quickly to new opportunities. While great distances separate many of MRL's customers, the link with BNSF enables industries to connect with points around the globe. MRL connects with BNSF main lines at Huntley, Montana, and Sandpoint, Idaho. These connections enable

MRL to effectively serve a broad customer base spread across the region, including three oil refineries, an electric utility, a large woodchip facility, and intermodal and automotive terminals. Additionally, MRL moves carloads for producers of agriculture, talc, finished lumber, particleboard, lime and cement.

"We are a haulage railroad and often travel a long way between our nearly 200 customers," Walsh said. "We have a lot of natural resources in Montana. We also work closely with BNSF on opportunities in the energy sector."

See MRL Page 8



BNSF's Assistant Vice President, Shortline Development Dick Ebel (left) and President and COO Carl Ice flank Montana Rail Link President Thomas Walsh at the award presentation.

Special Recognition

BDW grows business with investments in transload operations

The Bighorn Divide & Wyoming Railroad (BDW) has made the most of its opportunities since the days of moving soda ash rail cars with a single locomotive off of a BNSF siding. What started as a small rail subsidiary for a trucking operation is today a significant provider of rail services in Wyoming.

BDW, formerly known as the Badwater Railway, has invested aggressively in capacity by building three transload operations in Casper, Shoshoni and Bonneville. As it transloads a wide variety of petroleum products, BDW continues a successful foundation of business to load, service, and switch sulfur cars for Conoco Phillips at Lost Cabin, Wyo.

BDW investments contributed to annual volume growth of 14 percent in the last decade.

"BDW has been successful by providing great customer service and aggressively investing in capacity for new customers looking to ship via rail," said Dean Wise, BNSF Vice President Network Strategy, before presenting BDW with a Special Recognition Award at BNSF's 2013 Shortline Conference.

BDW's operation, which intersects with BNSF at Casper and Bonneville, is the only Wyoming-based railroad with access to a Foreign Trade Zone and principal highway infrastructure.

In the past two years, BDW built 17,000 feet of new track for transloading energy-related products. Much of this volume is attributable to the Niobrara Shale in Central Wyoming.

To handle the additional business, BDW, along with partners Granite Peak Development and Cogent, is building a double-loop track facility known as Casper Crude by Rail



The Bighorn Divide & Wyoming Railroad (BDW) received BNSF's Special Recognition Award for great customer service and aggressively investing in new business. From left to right, BDW CFO Cliff Root, BDW CEO Dave Nelson, BNSF President and COO Carl Ice, BNSF Assistant Vice President, Shortline Development Dick Ebel and BDW President Ed Kelsey.

(CCR). When completed in September 2014, CCR will handle two 112-car unit trains daily and will increase BDW's annual volume by between 12,000-13,000 carloads.

"We're hoping for a double-digit increase in carloads," says BDW President Oscar Kelsey. "With the energy side of things, it's so unpredictable. But we've managed to keep that growth up for several years."

While crude oil, frac sand and pipe associated with the oil fields have typically filled trains – the latest boom is generating new business. BDW now hauls vacuum tower bottoms, known as a heavy byproduct used for road paving. In addition, BDW handles loads of condensate used to make heavy crudes lighter.

"Wyoming is an energy-based state," says BDW Vice President and CFO Dave Nelson. "If you tell us what kind of energy you want, Wyoming probably has access to it. We attempt to capitalize on these energy opportunities."

Kelsey says BDW's success ties back to diverse master plans for Casper and Bonneville. At Casper, BDW has about 700 acres available to entice new business. At BDW's line in

Bonneville, the site of an old rail yard, the space is more constrained.

Challenges aside, BDW recently found a way to work with a company to position crude tanks in Bonneville. This is another means to maximize opportunities, BDW CEO Cliff Root says, and continue a growth pattern to become more resourceful and self-sufficient.

In recent years, BDW has invested in manpower, maintenance of way, track and locomotives to meet growing demands. The company's newest locomotive addition is an SD 18, which boosts the BDW motive power roster to four locomotives.

Meanwhile, BDW plans to move to a new 4,500-square foot office to consolidate administrative and financial operations in Shoshoni.



Candid



**BNSF AVP,
Shortline
Development
Dick Ebel.**



BNSF President and COO Carl Ice.



**BNSF Vice President, Network Strategy Dean Wise (left) and
Montana Rail Link's David Koerner.**



**Toni Hanson
(left) and
Kristy Clark
of BNSF.**

MRL from Page 6

MRL also moves more than 115,000 carloads of coal annually, mostly in 125-car trains, which is a difficult task considering the size of Montana and the terrain. Because the trips are long and the miles are many, significant investment in infrastructure, time and manpower is a necessity.

Developing new customers is vital to the success for MRL. Newly established wood chip traffic from Missoula, Montana, is an important win for both BNSF and MRL as it will result in an additional 2,300 carloads in 2013.

"This business was non-existent a couple of years ago. BNSF has been an incredible partner for us over the years," said Walsh.

Considered one of Montana's major employers, MRL is headquartered in Missoula and has employees positioned across its network to ensure safe, customer-focused operations. Some 1,000 workers live in the small communities along the 600 miles of MRL mainline trackage throughout the state.

"People are definitely our most important asset and thankfully we have more than 1,000 talented employees that keep our railroad running smoothly each day,"

Walsh said. "As traffic levels trend upward with peaks and valleys along the way, having resources, people, equipment and infrastructure in place at the right time is one of the biggest challenges we face. Our most important job is to provide safe and reliable service for our customers, our employees and the communities we pass through each day."

MRL has made significant investments in infrastructure converting more than 100 miles of its mainline from jointed rail to continuous welded rail. MRL has installed more than 120,000 new cross ties and more than 20 miles of rail are replaced each year.

A \$5.5 million infrastructure project replaced a 309-foot, three-span bridge near Clark Fork, Idaho, that crosses Lightning Creek. Originally built in 1909, the bridge was the largest structure ever to be replaced by MRL crews.

In addition, because MRL trains roll across picturesque backdrops, the railroad pays careful attention to the appearance of its blue locomotives.

"We keep our equipment remarkably clean," Walsh said. "It seems we wash our locomotives continuously, and we take pride in their appearance. That big blue with the red dot—that's who we are."