BNSF RAILWAY
SHORTLINE CONNECTION

FALL 2012

Shortline Message • with Dick Ebel

Accountability contributes to success

BNSF Railway was pleased to see many of you recently at our 2012 Shortline Conference in Irving, Tex. This year's agenda was action-packed, with the theme "Collaborating on Velocity to Achieve Growth." Our conversations throughout the general session, formal workshops and one-on-one meetings focused on this important strategy.

Collectively, we have seen evidence of success. We have all been able to carry more loads with fewer new assets. This is certainly one objective we wish to achieve and sustain.

A secondary objective is to reduce dwell time, which equates to car hire, an expense of handling the business. As we shared at the conference, shortlines collectively exchange more than $40 million each year in car-hire charges with BNSF. It is important to all of our financial statements to wring out unnecessary costs brought on by inefficient networks.

Also, BNSF has continued to show substantial improvements in its velocity metrics. While those numbers have improved, the one measure of success we all hold ourselves up to is this: "Is our customer satisfied with our service?" Unfortunately, we still hear from customers who tell us that our service product needs improvement.

As noted in our last *Shortline Connection*, BNSF safety performance continues to trend positively by continuously improving our metrics versus prior years for injury frequency and injury severity. Our mission is to always send our employees home in the same condition they came to work.

Dave Freeman spoke about BNSF's safety initiatives. At BNSF, one of our strengths is our willingness to approach others about safety. As railroaders and professionals, most of our work is self-supervised with set procedures; teamwork and conversations about safety are always encouraged.

The American Short Line and Regional Railroad Association conducted its annual survey of BNSF

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Ready to roll

With 11 equipment fleets that handle a range of products from automobiles to steel to frozen potatoes, BNSF is keeping pace with current and future business climates. On pages 8-9, we look at the various equipment types that BNSF and its shortline associates utilize to grow revenue.

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shortlines before our conference. The results were shared with our BNSF caucus, and we spent considerable time reviewing the metrics and specific comments from those who completed the survey. We shared these same results at the conference.

The survey measures 12 unique attributes. For 2012, BNSF scored better than previous years in 11 of the metrics. BNSF also scored the highest it has ever scored on eight of the 12 metrics.

Feedback from this survey is always helpful and allows us to focus on things we need to work on to be better. The one metric that deteriorated compared to the previous year was car quality – primarily boxcars and centerbeams.

In addition, the survey asked respondents to identify the top three areas they would like to see improved. These were response time to rate inquiries, rate competitiveness, and interchange delivery/pickup versus scheduled delivery/pickup.

Steve Bobb presented an update on the process chain for getting rates and identified a number of enhanced processes to improve response times for commercial transactions.

Our workshops specifically addressed how important an interline service agreement (ISA) is to hold ourselves accountable for the interchange process.

The shortline directors and sales and marketing team came away from the conference with a number of "to do's." Our lists tell us that 2013 is going to continue to be a busy time for us all. The growth we are seeing is a very good thing.

Together, we must continue to hold each other accountable to:

- Take care of our mutual customers by providing excellent service.
- Pursue business opportunities to achieve growth.
- Focus on velocity/efficiency to provide a world-class supply chain.
- Invest for safety, efficiency and growth.

Please remember to be thankful for all the blessings you and your loved ones have received and take time to assist those in need.

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 partners to drive profitable growth.

Basket of goodies

Shortline associates were in the giving spirit, contributing many goodies this fall during BNSF's United Way campaign. Donors included Genesee & Wyoming, Patriot Rail Corp., Red River Valley & Western and Montana Rail Link. In all, BNSF contributed more than $2.2 million to the United Way of Tarrant County, Tex. Thanks to all!

Upcoming Events

ASLRRA

2013 Annual Convention (100th)
April 27-30, 2013
Atlanta Marriott Marquis
Atlanta, Ga.

BNSF

2013 Shortline Conference
October 21-22, 2013
Omni Mandalay Hotel

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Shortline Conference 2012

BNSF, shortlines unite at conference

Collaboration, ongoing association emphasized to promote future growth

BNSF Vice President of Network Strategy Dean Wise, flanked by Assistant Vice President Shortline Development, Dick Ebel, shares opening remarks at the 2012 BNSF Shortline Conference held in October.

When presenting overall year-to-date performance during the general session of BNSF's 2012 Shortline Conference, Vice President of Network Strategy Dean Wise paid homage to shortlines and emphasized that the success of both BNSF and shortlines depends on a collaborative and ongoing association.

"Shortlines are very important to our network; with their reach we access additional markets beyond our physical footprint," Wise said from the Las Colinas Ballroom at the Omni Mandalay Hotel in Irving, Texas.

While reach and territory are essential to further business development, Wise said that to enhance growth and velocity, both BNSF and its shortline associates should take care of customers by providing excellent service, pursue business opportunities to promote growth, focus on velocity/efficiency to sustain a world-class supply chain and invest for safety, efficiency and growth.

Throughout the three-day conference, held in October, Wise's message rang clear as BNSF shortline representatives, company executives, and shortline owners and operators had discussions to further business opportunities and efficiencies. The conference offered updates on economic development, industrial products, agricultural business, system initiatives, the North American energy outlook and the economy.

Wise also touched on BNSF's commitment to meet these expectations through its aggressive capital investment program. This year alone, BNSF plans to spend $3.9 billion on maintaining and upgrading facilities and infrastructure and investing in equipment, the most since pre-Great Recession levels. Among the investments made this year is $250 million toward positive train control (PTC). "We're investing in expansion of right-of-way and terminals," Wise said. "We're really reinvesting for growth. We're also buying 300 locomotives this year. We spent through the recession like other railroads. We're keeping our railroad in shape."

Teamwork leads to growth

According to carload volumes compiled by the Association of American Railroads, BNSF is doing more than just keeping its house in order. BNSF is leading U.S. Class I carriers in units handled thus far, with a year-over-year increase of 1.5 percent. Only the Canadian roads – Canadian National and Canadian Pacific – are growing faster (both are up 4 percent and 3.7 percent, respectively, on much lower bases of volume). Carload volumes in Industrial Products (11.7 percent) and Consumer Products (6 percent) were up significantly in the first half of 2012 compared to a year ago, offsetting drops in Coal (6.8 percent) and Agricultural Products (6.1 percent).

BNSF executives were quick to point out that shortlines have played a key role in overall growth. Dick Ebel, assistant vice president, shortline development, said 20 percent of BNSF's non-intermodal volumes originate or terminate on shortlines.

Through July, shortline volumes were up 5 percent, with Industrial Products and Agricultural Product loads leading the way and mirroring growth patterns by all BNSF commodities.

"Industrial Products continue to grow," Ebel said, noting that natural gas and oil plays have increased demand for carloads.

Dave Garin, BNSF group vice president, Industrial Products, said that the railroad industry's ability to create an alternative to transporting oil by pipeline has been a success story that most would not have imagined. The first unit train carrying Bakken crude left for Stroud, Okla., in December 2009. Much has changed since then. Many in the pipeline industry were skeptical that railroads could move crude from the booming shales across the country quickly and efficiently.

"When the first train left on Dec. 31, 2009, it made it," Garin said. "Then the next one made it. We went through the floods, and the trains made it. All of a sudden, (the pipeline industry) is saying that maybe these railroad guys can do it."

BNSF is continuing to grow its oil and drilling supply volumes. Movement of petroleum products is up 45 percent in 2012 and has been a key player in Industrial Products' overall double-digit increase in unit trains (21 percent).

"It sends a message that we are something more than what people think we are," Garin said. "To be like a pipe-

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line? I would have never imagined that someone would draw a comparison between (railroads) and a pipeline."

Senior Research Analyst Trisha Curtis rounded out the focus on energy with an in-depth presentation on how the energy game has changed with infrastructure and the North American petroleum renaissance. Her message was that oil and gas products are here to stay for quite some time.

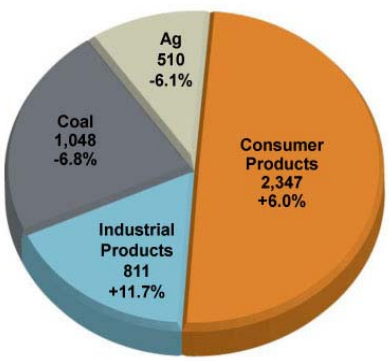
While oil and gas growth has been plentiful, Coal has taken a hit. Lower natural-gas prices coupled with a warm winter have negatively impacted coal carloads in 2012, but Ebel focused on a silver lining. Shortline carloads of coal are ticking up at a modest rate.

"That's a new story, and a good story in terms of the shrinking market share in coal products," Ebel said.

BNSF Volume

First Half 2012

Total units (thousands) and % changed compared to 2011.



New Normal

General Richard Timmons, president of the American Short Line and Regional Railroad Association, said slow freight rail growth, major shifts in energy source and consumption, aggressive regulatory initiatives, and uncertain domestic and international economic developments are altering today's railroad climate. "I think there is a strong transformation taking place," he said. "The real question is whether the industry will have the vision to see where we need to go and be nimble enough to adjust to change."

Agricultural Products certainly has had to deal with change in 2012, shifting gears on the fly after an anticipated bonanza of a corn harvest frittered away within weeks because of drought and heat. But that's just one example of a new normal in the global agricultural industry.

The agriculture market is as volatile as any time in the past 30 years, said BNSF Director of Marketing and Agricultural Commodities Greg Guthrie. BNSF and shortlines now have to approach movements of wheat, grain, corn and other agricultural products in a new light.

Consolidation and technology have reduced harvest times from a couple of months to just two or three weeks, prompting a change in the way farmers operate today. Producers are getting crops under cover faster with increased on-farm storage and, in many cases, operating their own semitrucks.

That creates a more competitive transportation climate, Guthrie said. "It's a change in the dynamics of the origination marketplace, particularly post-harvest. Once the harvest push is over, producers have much of their stock on the farm, and with the use of their own semitrucks they have a much greater opportunity to manage marketing options and haul to where they can truly get the best total returns."

The rapid conversion of acres from corn to wheat – particularly in Minnesota, North Dakota and South Dakota – has fueled the expansion of both origin shuttle facilities and Pacific Northwest export capacity. In turn, this changing dynamic is driving the need to increase grain-hauling efficiency, which is achieved through the expanding use of grain shuttle trains. The BNSF shuttle fleet will average close to three load-to-empty cycles per month compared to one cycle for a single grain car, and allows for greatly increased movements with fewer cars.

"Everything is about velocity," Guthrie said. "From an asset utilization perspective, it's an absolutely critical path in maintaining fluidity on the railroad."

Increased demand by China and Southeast Asia is also expected to result in continued growth of the export business out of the Pacific Northwest, which in turn creates greater potential for BNSF and shortlines.

"As the opportunity grows for BNSF, clearly it grows for shortlines," Guthrie said.

Room for Growth

BNSF's Chief Economist Sam Kyei predicted that there will be more room for growth in 2013, but probably not as much as the forecasted finish for 2012. During Kyei's economic overview, he stated that lack of confidence and a timid "wealth effect" in the economy will limit the gross domestic product to 1.8 percent next year, down from the estimated 2012 finish of 2.1 percent.

When people don't feel wealthy because of dipping stock values, lower earned interest and other intangibles, Kyei said the wealth effect suffers.

"When you feel good about your wealth, you go out and buy a new tie," he said. "It's on paper but has the effect of making you look richer. Based on that, you buy something. When your portfolio isn't performing as well, you don't spend. Anytime you see that, it costs the economy. We have weighed that in our forecast."

Executive Vice President and Chief Marketing Officer John Lanigan and Vice President of Transportation Dave Freeman covered a variety of topics, including management of variables affecting business. Value-stream mapping is one way to uncover sources of waste and variability that results in inefficient operations.

Freeman said that it is critical to identify key operating constraints by looking at metrics such as terminal dwell; train, car and locomotive velocity; and performance against customer-based goals and objectives.

SAVE THE DATE
2013 BNSF Shortline Conference
Oct. 21-22, 2013
Omni Mandalay Hotel
Irving, Texas

Shortline Conference 2012

CAGY earns BNSF's top honor; two others cited for 2012 effort

Three BNSF shortline partners received accolades at the annual BNSF Shortline Conference for going the extra distance.

The Columbus & Greenville Railway (CAGY) was named Shortline of the Year for demonstrating collaborative spirit and dedicated customer service, and for its committed partnership with BNSF.

In the past two years, CAGY, which operates 163 miles of track between Columbus and Greenville, Miss. has more than doubled the carloads handled with BNSF. The Genesee & Wyoming property serves a diverse customer base, including chemical, lumber, steel and military shippers.

CAGY recently partnered with BNSF and the Alabama & Gulf Coast Railway to construct and finance a new crossover north of its yard in Columbus. This crossover will improve traffic flows, reduce congestion, and facilitate handling increased volumes. In addition to the crossover, CAGY also funded an expansion of its yard tracks to increase carload capacity at Columbus.

Dean Wise, BNSF vice president of network strategy, praised CAGY for reacting quickly to new business opportunities by investing their own capital and establishing a market presence.

The Burlington Junction Railway (BJR) and Riverport Railroad were each recognized for their efforts in teaming with BNSF to move increased volumes of crude oil from the Bakken Shale.

BJR was recognized for quickly providing a fast, effective solution for interchanging and storing BNSF's empty crude unit trains. Earlier this year, BNSF realized that staging was needed between the Gulf Coast and Bakken Shale for 105-car empty trains. Within 12 hours of the call for help, BJR and BNSF reached a written agreement to store the trains. Since then, BJR routinely stores unit crude trains heading back to the Bakken.

The recognition was the BJR's third such accolade from BNSF in the past six years.

The Riverport Railroad was recognized for stepping forward to help when shipments of crude from the Bakken fields grew faster than new facilities could be built. The railroad made their facilities and services available to stage small shipments of tank cars and consolidate them into unit trains that BNSF could move to markets efficiently. Riverport received BNSF's "Focus on Service" award.

BNSF Vice President and Chief Marketing Officer John Lanigan (left) presents Columbus & Greenville Railroad General Manager Giles Perry with the Shortline of the Year award. CAGY has more than doubled carloads handled with BNSF.

Workshop Highlights

PTC progress ongoing; fracking tools unveiled

In this year's Positive Train Control (PTC) workshop, David Galassi, assistant vice president of Network Control Systems, told shortline conference attendees that BNSF began working on the implementation of PTC before the mandate created by the Rail Safety Improvement Act of 2008 (RSIA).

PTC, which must be installed by Class I railroads by December 2015, is designed to prevent train-to-train collisions, over-speed derailments, incursions into established work-zone limits, and the movement of a train through a switch left in the wrong position.

PTC uses a wireless network to communicate information between various parts of a railroad's wayside network, locomotive, base stations and the railroad's dispatching center. BNSF will ultimately have 720 base stations along its network; positioning is determined by various factors that include topography and switches.

Class I railroads are the major players and are required to install PTC if they operate, host or provide intercity rail passenger or commuter rail passenger services and/or haul poison or toxic inhalation hazard materials, and any other tracks as the Secretary of Transportation prescribes.

Shortlines may find themselves in the PTC game even if they do not operate passenger trains. Those that cross or operate on Class I tracks may have to comply, depending on the needs of the host railroad. Under FRA regulations, Class II and III shortlines are permitted to operate on PTC-equipped lines with certain operational limitations before Dec. 31, 2020, if the line has no regularly

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Go-to Railroad

RRV&W revitalizes branch line with focus on customer service

The Red River Valley & Western Railroad (RRV&W) is proof that providing consistent service, coupled with strong customer partnerships, is a winning combination.

Shortly after founding the company in 1987, the railroad's investors increased service from one to three times per week for customers in surrounding communities along 577 miles of track formerly owned by Burlington Northern. RRV&W convinced producers along the lines that "occasional" service was a thing of the past. Once more-frequent trains started to roll from southeast and central North Dakota to Breckenridge, Minn., agricultural customers jumped on board.

Twenty-five years later, RRV&W has become the go-to railroad for these customers. In July 2012, the railroad celebrated its quarter century in business with a three-day event in Wahpeton, N.D., and Breckenridge, MinnMN Minn.

"The consistency and frequency of our service has been key," said RRV&W President & CEO Andy Thompson. "Our customers can count on us to provide service on particular days and at the right time of day. Consistent service enables our customers to plan their production and scheduling of employees and shipments. It just makes business much better for them."

The result of RRV&W's service offering was an increase in carloads from 19,000 in 1987 to a projected 56,000 in 2012.

While frequency levels were a big selling point, RRV&W could not continue to move forward without a steady commitment to invest in infrastructure. Before 1987, RRV&W tracks were low-speed, low-density branch lines for BNSF. Since then, RRV&W allocated more than $26 million for capital projects, including relaying 35 miles of track with heavier rail. Each year, RRV&W spends more than $5 million on track maintenance on its 514-mile network, which dates to the 1870s. The RRV&W has also made significant investments to equipment, specifically in grain cars. The RRV&W locomotive fleet was also upgraded in 1999 to Generation II Caterpillar-powered GP20C units.

The Red River Valley & Western Railroad recently celebrated its 25th anniversary. Since the company was formed, carloads have grown from 19,000 in 1987 to a projected 56,000 this year. ***Courtesy Red River Valley & Western***

Vice President of Marketing Sharon Trudell said that while the capital investments were necessary, the company's most beneficial investments have been with customers and employees. "What's driven our success is how RRV&W has created the relationship between the railroad and the customers and communities we serve," Trudell said. "Our employees strive to meet and exceed the expectations of our customers." To handle growth, RRV&W has doubled the number of full-time employees from 45 to 95.

RRV&W has also focused on finding new and expanded markets, and these efforts have paid dividends. More than half of RRV&W's grain customers have enlarged their facilities, with many customers able to accommodate 110-car shuttle trains. More than a dozen business additions have been completed since 2000. RRV&W manages service to both large- and small-grain facilities by running small-car sets to smaller grain elevators and keeping a steady flow of cars to the larger elevators.

"We'll run small multiples of 10 and 15 cars from those (smaller) elevators to the bigger shuttle elevators," Trudell explained. "The smaller elevators act like small satellites. What we've done is support those facilities with local movements to move grain from smaller facilities to larger facilities."

This year, RRV&W worked with Minn-Dak Farmers Cooperative in Wahpeton (near the railroad's headquarters) to build approximately two miles of track to serve a sugar processing plant. Minn-Dak Farmers Cooperative and Cargill Corn Milling, also in Wahpeton, are two of RRV&W's largest customers in a diverse portfolio of agricultural processors and manufacturers. RRV&W's newest industrial customers include ethanol plants in Casselton and Hankinson.

While much of this year's corn harvest was decimated by lack of rain and intense heat, RRV&W was just above the drought line and enjoyed a steady stream of car loadings. The upcoming sugar beet harvest also looks promis-

See RRV&W *Page 7*

RRV&W *from Page 6*

ing.

"We have been blessed as far as the corn harvest goes," Trudell said. "We've been in sort of a sweet spot and had excellent yields in corn and soybeans. We were very, very fortunate. When the sugar beets harvest, it will be one of the largest harvests."

Thompson and Trudell said that RRV&W's alliance with BNSF has been beneficial in expanding shipping options for local farmers and manufacturers.

"In addition to our commitment to service, one of the other key advantages we have is the connection with the BNSF franchise and all of their destinations," Trudell said. "That really gives our customers a lot of options and helps them to be more competitive."

RRV&W has also been recognized by BNSF for its contributions. RRV&W received BNSF's Achievement Award in 2006, and *Railway Age* selected the shortline in 1997 and 2005 as the magazine's Regional Railroad of the Year.

RRV&W's 25th anniversary celebration provided customers and community leaders an opportunity to experience the railroad's success firsthand. With passenger equipment provided by BNSF, RRV&W ran six round-trip trains from Breckenridge to Colfax, N.D., July 19-21 with customers, community leaders, business associates, vendors, employees, BNSF representatives and the public aboard. More than 1,100 people rode through the scenic and fertile Red River Valley to celebrate RRV&W's achievements, but not without recognition for those who helped along the way.

"Our focus on customer service and a dedicated workforce have allowed our business to grow while also allowing our customers to provide high service levels to their customers," Trudell said. "It's been a great partnership."

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scheduled intercity or commuter passenger rail traffic. In instances where a line has passenger traffic, the host railroad's Positive Train Control Implementation Plan (PTCIP) allows for operation of non-PTC-equipped trains. Operations must be restricted to four trains per day or less and the movement must not exceed 20 miles in length. (BNSF is requesting that movement length be expanded to 25 miles.)

Interoperability of various railroads' PTC equipment is critical due to the sharing of track and locomotive assets between railroads, Galassi said. Shortlines will need to outfit any locomotives used in PTC territory. Locomotives must have an onboard computer and display – as well as radios – to communicate with the base stations and wayside signals.

"A lot of Class IIs and IIIs think they don't have to participate before 2020, but that's not true," Galassi said. "We will work with our shortlines if they ask for assistance to find the right solution."

BNSF is currently testing PTC on its San Bernadino, Calif., and Mendota, Ill., subdivisions.

Shale, fracking tools unveiled

Director of Customer Support Pat Thompson and his team unveiled new tools to help shortlines and shippers manage the dynamic supply chain involved with moving fracking sand and other shale-related commodities.

BNSF's sand strategy focuses on providing proactive pipeline management and superior customer communication to maximize the potential of BNSF's sand customers. Fracking sand car loadings have escalated in recent months with the boom in shale plays across the U.S., so Customer Support developed tools to maximize supply-chain visibility and created key indicators to measure performance against customer and BNSF goals.

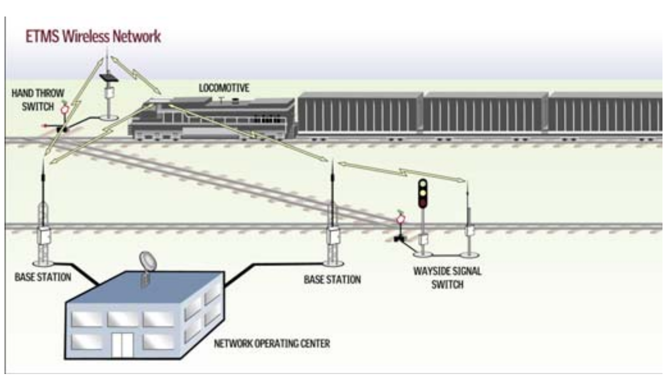
Daniel Ramirez, manager of customer support, said the program is designed to provide proactive end-to-end supply-chain management service to customers; it can also be implemented in other business segments or customer groups.

One of the main goals of the sand strategy is to decrease the number of cars in staging yards and increase throughput. So far, the plan has reduced customer dwell time by 13 hours on average. In some cases, cars have been turned in 48 hours.

The Pipeline Management session outlined BNSF's Rail Central tool, which enables BNSF and shortlines to manage the pipelines of critical shippers. The tool allows an authorized party on the bill of lading to create multiple reports that are modifiable to meet business needs; it also permits scheduling by email. Rail Central offers real-time tracing information and integrates with other applications.

Other tools reviewed at the workshop were the Rail Car Transactions tool, which offers users the ability to retransmit waybills or train consist information without calling BNSF, and the Customer Subscription Services tool, which allows subscribers to sign up for and receive BNSF advisories, updates and shipment notifications by email.

Shortline partners and customers are encouraged to sign up on BNSF.com, where these Web tracing, reporting and notification tools are available. For help with registration, please call BNSF eBusiness Help at 888-428-2673 (select option 4, then option 1), or email eBizHelp@bnsf.com.



The Positive Train Control (PTC) system utilizes a wireless network to communicate to the primary system components.

Ready to roll

BNSF's equipment fleet is positioned to keep pace with demand

With 11 equipment fleets that handle a range of products from automobiles to steel to frozen potatoes, BNSF is committed to keeping pace with current and future business climates that enable its shortline partners to grow revenue.

The Equipment Management team works closely with each of BNSF's product divisions to ensure that the right equipment is available for the right job. In the past two years, several fleets have added new cars with enhanced capacity and loading and unloading features.

Rick Margl, BNSF assistant vice president, carload equipment, said that BNSF adapts its fleet makeup to the changing economic environment. "We work closely with our marketing team to understand demand trends and use various means to adjust capacity accordingly, including car builds, long- and short-term leases, reassignment between different commodity services, industry pooling, and others."

"We work closely with our marketing team to understand demand trends and use various means to adjust accordingly." - Rick Margl, AVP carload equipment

Improved business conditions have increased demand in 2012 for each of BNSF's constrained fleets of refrigerated boxcars, 100-ton boxcars, sand and pumice hoppers, bulkhead flats, and gondolas. The fleets spend anywhere from 8 to 25 percent of their time on shortlines – sand hoppers used to deliver fracking sand to shale plays are seeing particularly heavy utilization. Each segment has experienced growth, with forecasts for sand- and pumice-covered hoppers up nearly 29 percent. To keep pace, BNSF has made improvements to these fleets and others.

Driven by projected demand increases in sand and clay, growth in the Industrial Products covered hopper fleet is expected to continue for the next four to five years. In 2011, BNSF acquired a number of two-compartment small-cube covered hoppers specifically targeted for sand haulage. More of the 286,000-pound capacity cars went online this past summer. Also, because demand has increased for bulkhead flats, BNSF has split the fleet from cars used in general service for greater visibility and improved management. Bulkheads are experiencing growth in lumber, pipe, military, machinery and wind product carloads.

BNSF is adding 500 new mill gondolas in 2012 to help meet growing steel-related demand. The gondola fleet is closely tied to the steel market and is often subject to market volatility.

The equipment group is also working closely with marketing to develop commodity, customer-specific conversion plans and timelines to best utilize its fleet of 100-ton boxcars. "BNSF and our shortline partners are accountable for delivering the capacity that will meet changing demand levels, while at the same time minimizing costs throughout the supply chain," Margl said.

Constrained fleets at a glance

Sand and Pumice Hoppers

BNSF's two largest merchandise fleets – sand and clay – experienced significant growth in 2011 that continued this year. Fracking sand demand resulting from oil and gas shale plays in the U.S. and Canada increased the number of sand and pumice hoppers rolling across BNSF and shortline networks.

By the end of 2012, BNSF anticipates that total volume for these cars will increase by nearly 29 percent. Average dwell times have already increased 2 percent over 2011.

BNSF boosted its two-compartment sand car fleet this year to handle current and projected volumes. Small cube cars with less than 4,000 cubic feet are two-compartment cars used for hauling sand and granules. Large cube cars, which are larger than 4,000 cubic feet and have three compartments, primarily haul clay, sand, alumina, coke, gypsum and lime. BNSF anticipates that the velocity of these cars within the Industrial Products covered hopper fleet will increase by 3 percent annually over the next five years.

Time spent on shortlines: 25.4 percent.

More fleets, *Page 9*

Mill Gondolas

The gondola fleet includes both general-service mill gondolas and coil gondolas that travel across the country. The general-service mill gondola fleet may be used for a broad range of commodities including scrap steel, lead zinc ore, and finished products such as beams and pipe, but is primarily used for steel products and aggregates (rock). BNSF typically furnishes system gondolas for scrap shippers and steel mills. Shippers generally provide their own leased gondolas for the movement of aggregate.

The 66-foot car is preferred for hauling metals because of its ability to carry inbound scrap metal into steel mills and return with an outbound load of finished steel. Aggregate (and some scrap steel) is primarily carried in 52-foot mill gondolas. The mill gondolas averaged 95 miles per day in 2011.

Time spent on shortlines: 14.7 percent.

Refrigerated Boxcars

The mechanical refrigerated boxcar ("reefer") has a 72-foot interior length and refrigeration unit with a remote two-way communication system to monitor performance, temperature and fuel level, along with loading and unloading activities. The two-way communication also provides location information and the ability to reset/cycle several mechanical functions.

The fleet is made up of Generation I and Generation II sets. The braking ratio – the relation of the weight of the car to the braking force – dictates the type of train service in which the car is able to run.

In 2011, loads began moving out of Southern California via expedited Z train service to Chicago, resulting in improved cycle time. Frozen vegetables was the highest-commodity in 2011, followed by fresh and frozen meats, fresh fruits and vegetables, and dairy. The fleet had a velocity of 142 miles per day in 2011.

Time spent on shortlines: 8.7 percent.

100-Ton Boxcars

The plain boxcar fleet is transitioning from older 70-ton cars to larger 100-ton cars, which are the third-most used by shortlines. For 100-ton cars, the highest-volume commodities in 2011 were pulpboard (17 percent), followed by printing paper, woodpulp, oriented strand board, bentonite and canned goods. Bentonite, which is 7 percent of total fleet volume, had the largest growth in 2011.

The 100-ton fleet, which consists of approximately 7,000 cars, experienced velocity of 116 miles per day in 2011. These cars are owned, leased or controlled by BNSF. BNSF is migrating the entire fleet to three 100-ton Plate F car types (50 foot with a 12-foot plug door, 60 foot with 12-foot plug door and 60 foot with 8-foot double-plug doors) to improve reloading, utility and velocity. BNSF added 900 Plate F 60-foot boxcars to its fleet in 2012.

Time spent on shortlines: 14.3 percent.

Bulkhead Flats

The flatcar fleet is a diverse fleet with several unique functions. Flatcars touch many market segments ranging from lumber to steel, military, machinery, wind-energy components, pipe, and dimensional heavy-duty shipments. The long-term strategy for this fleet is continuing to right-size the active fleet to secure business opportunities and meet growing demand.

The flatcar fleet consists of five subfleets: center-beam flatcars that primarily handle lumber and other building products, bulkhead flatcars for finished steel, 89-foot flats for hauling pipe, chain tie-down flats used to haul military equipment and machinery, and miscellaneous flats used for slab steel and heavy-duty loads. Flatcar velocity ranged from 129-103 miles per day in 2011, depending on type.

Time spent on shortlines: 9.6 percent.

Shortline Shorts

TIGER grants could benefit shortlines that team with BNSF

The U.S. Department of Transportation (USDOT) recently announced Transportation Investment Generating Economic Recovery (TIGER) grants that may benefit four BNSF shortline associates.

The grants will fund 47 projects in 34 states and the District of Columbia. Approximately 12 percent of the $500 million in grant funding will go to freight rail, multimodal and port projects. Another 31 percent will go to high-speed and intercity passenger rail projects.

A $7 million grant was issued to the Oregon Department of Transportation for the Siskiyou Summit rail revitalization project, which will enable the Central Oregon & Pacific Railroad to refurbish the steepest grade in North America on a 70-mile route between Oregon and northern California.

Funding will be used to revitalize a tunnel as well as put down new track, ties and ballast.

Also, the Terminal Railway-Alabama State Docks will benefit from $12 million awarded for the Alabama State Port Authority's intermodal container transfer facility at the Port of Mobile, Ala.

The Brownsville Navigation District is receiving $13 million for the Gulf Marine intermodal project, which includes proposed rail sidings for the Brownsville & Rio Grande Railroad.

Another $10.4 million went to 15 Chicago Region Environmental and Transportation Efficiency program projects in and around Chicago, Ill., including completion of the Western Avenue Corridor project, which affects the Indiana Harbor Belt Railroad.

In all, USDOT fielded 703 requests totaling more than $10.2 billion for the fourth round of funding since TIGER grants were created.

Dressed to donate

The Indiana Rail Road Co. (INRD) visited 12 southern Indiana and Illinois communities Nov. 30-Dec. 2 on its 23rd annual INRD Santa Train. Crew members, seen last year above, dressed in costume to deliver goodwill, winter clothing and jolly St. Nick to thousands of children.

Patriot Rail Corp. appoints former KCS CEO

Patriot Rail Corp. recently announced the appointment of Arthur L. Shoener to the company's board of directors. Shoener, a fourth-generation railroader, will provide executive support and oversight in company proceedings.

Shoener began his rail career while in college with the Baltimore and Ohio Railroad and joined the Missouri Pacific Railroad after graduation. During his 45-year rail career, he has served in various senior-level leadership roles, including president and CEO of Kansas City Southern (KCS) Railway, where he successfully led the integration of KCS de Mexico into the KCS network.

Shoener also served as president and chief operating officer of Kansas City Southern Corp., and was a member of the Kansas City Southern board of directors.

OmniTRAX executive announces retirement

Mike Ogborn recently announced that he is retiring from OmniTRAX, Inc., as managing director and executive vice president.

Ogborn began his career with OmniTRAX by representing the company before the Interstate Commerce Commission and other venues in the mid-1980s. He spent the next 20 years working within the company in various capacities.

After retirement, Ogborn will continue to serve as a member of the OmniTRAX advisory board and will provide consulting services.

"We greatly appreciate all that Mike has done for OmniTRAX and the companies it manages over the years to help us grow and prosper," said OmniTRAX President and CEO Gary Long. "We are grateful that he will continue to serve on our advisory board and be available to consult with us."

OmniTRAX, based in Denver, Colo., manages 17 regional and shortline railroads, serving 11 U.S. states and three Canadian provinces.

Shortline Shorts is compiled from website reports, press releases and other external communications and does not represent the views of BNSF Railway.