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The Honorable Daniel R. Elliott, III
Chairman
Surface Transportation Board
395 E Street, SW
Suite 1220
Washington, DC 20423-0001

Dear Chairman Elliott:

I write in response to your letter dated August 9, 2010, requesting an update on BNSF Railway Company's (BNSF) assessment of our ability to meet anticipated service demands for the remainder of 2010.

At the outset, I would like to briefly review BNSF's volume outlook for the remainder of this year. I am pleased to report that after several quarters of declining rail volumes, we are starting to see an increase in traffic. An important corner was turned in March of this year when traffic volumes first turned positive on a year-over-year basis since the financial crisis started in the fall of 2008. Weekly volumes have continued to improve during the second half, contrary to recent momentum losses in the broader economy. The best weekly performance for BNSF year-to-date was 192,687 units, occurring during the week ending September 4, 2010.

To handle the increased volumes, we have recalled nearly all train crews that had been furloughed during the recession and brought back a substantial portion of our stored rail cars and locomotives.

While our intermodal traffic has rebounded this year, intermodal volume remains well below the historic high we experienced in 2006.

With respect to agricultural products, we are anticipating a very large harvest across all the grain-producing states for corn, wheat and soy beans. Additionally, we are seeing strong world demand for U.S. grain, wheat, corn and soy beans. While our year-to-date average miles per day for our grain car fleet is down slightly due to spring and summer floods, we have recovered and anticipate velocity increases in the shuttle and general car fleets.

Coal demand was relatively flat during the first half of the year. However, as demand has increased, we have added extra locomotives and have hired additional crew on the coal network. We also have adjusted some track maintenance schedules. We believe these changes will bring our coal velocity back up to early 2010 levels. Our service has been steadily improving over the past several weeks.

Next, you asked about our economic investments in our railroad. We have continued to make investments in our railroad despite the decreased volumes over the past three years. We recently committed to increase our 2010 capital program to \$2.6 billion. We expect to spend about \$2.2 billion this year for track, signal systems, structures and freight cars, and to upgrade technologies, including the unfunded mandate for positive train control. The company also anticipates acquiring approximately 195 locomotives at a cost of about \$380 million.

The major construction projects this year include the continuation of our double tracking on our Transcon route. With the completion of the Abo Canyon project scheduled in 2011, our 2,200-mile Transcon Corridor between Southern California and Chicago will have only about 30 miles of single track.

Other capital projects this year include the West Vancouver Freight Access Project, CREATE, Connect Oregon and several efforts to increase fuel efficiency and intermodal facility efficiency, such as installing automated gate technology.

Regarding developments in passenger rail service access, the opportunity for freight and passenger rail has never been greater. Over the years, BNSF has been able to accommodate passenger rail service and protect the near- and long-term capacity and growth interests of our freight customers throughout the country. In November 2009, Northstar Commuter Rail began service on BNSF and has been operating very well this year. We recently signed a new commuter service agreement with RTD Denver for service between downtown Denver and 72nd (Boulder/Longmont) and downtown Denver and Golden. Construction is expected to begin in 2011-2012.

We also recently signed a Memorandum of Agreed Term Sheet (MOATS) with the Washington State Department of Transportation. Done with the approval of the Federal Railroad Administration (FRA), the MOATS sets a framework for progression of the high-speed rail projects that the FRA has identified for funding in Washington state along the Vancouver-Portland Amtrak route. These improvements are designed to add two additional Amtrak *Cascades* daily roundtrips between Seattle and Portland, for a total of six, and should also reduce travel times and improve average on-time performance. While much hard work remains to finalize this agreement and for construction to begin, the MOATs was an important step and builds on our 20-year partnership with public entities in the Puget Sound region to provide enhanced passenger rail services.

With respect to Amtrak on-time performance for trains operating on BNSF, we also continue to meet expectations. Year-to-date through the end of July, contractual Amtrak on-time performance was 94 percent.

In my discussion at the beginning of this letter, I touched on some areas of congestion and our plans for addressing those. In regard to weather-related issues, as I mentioned, flooding earlier this year impacted a number of locations and key corridors on the BNSF system. However, I'm pleased to report that there are no current weather-related issues on our network, and all repairs associated with the flooding have been made. Additionally, there are no unanticipated rail congestion points due to increased traffic at this time.

We have looked extensively at ways to expand intermodal container service to different markets and commodities. In an effort to serve the North Dakota specialty grain market as well as expand export container availability in remote areas of the U.S., BNSF, BNSF Logistics, North Dakota Port Services and OOCL last month began ag-in-a-box service in Minot. BNSF is providing rail

service in and out of the facility, while BNSF Logistics is providing logistics services. OOCL is the first ocean carrier customer to participate in the new venture. OOCL containers will be used to ship grain from North Dakota to customers throughout Asia. However, rail intermodal economics are based on density and distance, so we must be mindful that despite the wishes of localities, not all locations or commodities are suited to or appropriate for intermodal train service.

BNSF has long been in the forefront of positive train control (PTC) technology development and deployment, with initial efforts dating back to the early 1980s, but we remain concerned that the mandate for PTC implementation will have significant unintended consequences for the rail system and for safety.

By way of background, BNSF developed its own PTC system, known as Electronic Train Management System (ETMS), on its own initiative and received FRA approval to deploy ETMS on certain parts of its system in 2004. BNSF planned to deploy ETMS on its system as conditions warranted, but in any circumstance only planned to deploy ETMS where justified by financial, operational and safety reasons. BNSF considered ETMS one of a menu of options for enhancing safety and operations; deployment would be a tool with other technology, physical enhancements, capital projects and general maintenance programs to enhance overall system safety.

Importantly, ETMS was developed and designed as a safety *overlay*, meaning that where it was to be deployed, BNSF would install the ETMS system over, or in addition to, the existing signal system. BNSF always intended that should ETMS fail or not be deployed on a segment, rail operations would continue and default to the current pre-ETMS operational practices, which has for years provided an appropriate level of safety. ETMS was not designed, by itself, to create operational benefits or capacity improvements for BNSF. Rather, it was designed only to enhance existing operations.

The Railway Safety Improvement Act (RSIA) enacted by Congress in 2008 required that a fully-operational PTC system be deployed on thousands of miles of railroad lines with full interoperability and functionality, regardless of the operational or cost considerations that would have guided BNSF's voluntary deployment of ETMS. In implementing the RSIA, the FRA by rule has interpreted the RSIA PTC deployment provisions as requiring installation of PTC on a significantly larger amount of rail lines than would have been necessary by other interpretation of the RSIA. BNSF believes that this expansive interpretation will result in significant unanticipated consequences and may have the ultimate effect of reducing, rather than increasing, rail safety by directing capital resources toward expansive deployment of a safety system that, by the FRA's own analysis, requires \$22 of capital investment for each \$1 of safety benefit received.

After passage of the Rail Safety Improvement Act of 2008, BNSF has made adjustments to its program to meet the congressional and regulatory mandate. BNSF has worked extensively on design and development standards and to attain efficient interoperable operations of the technology with its railroad service partners. In 2010, BNSF submitted and received approval of its PTC implementation plan to FRA. This year, BNSF has targeted 10 operating subdivisions for PTC installation and began extensive construction efforts of necessary signal and telecommunication upgrades. For 2011, the company is targeting approximately 20 additional subdivisions.

Finally, regarding customer feedback, BNSF engages in continuous dialogue with its customers in an effort to set solid performance goals and deliver reliable products and services. Each

month, we survey a representative sample of customers across our various business units, which allows us to hear from virtually every customer over the course of a year. Customer perceptions of BNSF's transportation service have continuously improved over the last several years, and we are pleased to report that customer satisfaction with BNSF's overall performance is currently at record highs.

In conclusion, we remain committed to operating a world-class railroad and meeting our customers' and the public's expectations. We have continued to invest in our network, even during periods of substantially-reduced rail volumes. As our economy has recovered, we have brought back the assets necessary to handle all anticipated traffic. However, as you are aware, the future prospects for sustained economic recovery remain uncertain.

Please contact me if you have any further questions or I can provide you with any additional information.

Sincerely,



Matthew K. Rose