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March 26, 2014

The Honorable Daniel R. Elliott, Chairman
The Honorable Ann D. Begeman, Vice Chairman
United States Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

Dear Chairman Elliott and Vice Chairman Begeman:

I write to provide you with our bi-weekly update on BNSF's network performance and the status of our hiring, capital and service goals. This letter follows our meeting of February 18, 2014, and my first update letter to you of March 12, 2014.

Overall Service Performance

From an overall network performance perspective, BNSF's fluidity and velocity are improving. From a resource perspective, we have been able to meet our capital investment, locomotive acquisition and hiring targets. In addition, the coming of spring has lessened, although not eliminated, the impact of weather on our operations, particularly in our Northern Region. We know that a number of coal, agricultural products and service-sensitive domestic intermodal customers are still encountering serious service issues. As the attached data shows, our service is slowly improving, but is still nowhere near the levels we believe it should be.

In particular, I want to highlight the impacts that are still being felt by agricultural shippers in North Dakota. Our past dues have continued to grow, as we expected they would; however, they have grown at a modestly faster rate than we had projected. This is a result of slower turn times due to weather and congestion on BNSF lines as well as the slow processing of interchange traffic through the Chicago gateway. All of these combined factors are contributing to the larger than predicted increase in past dues. We have addressed, and plan to continue to address these past dues through deployment of agricultural car and locomotive assets, and the coming of spring and improved weather will certainly help as well. Our marketing team also continues to work closely with our agricultural customers to provide them with the most up to date information and to identify ways to lessen the impacts of past due orders.

We also know that coal shippers continue to feel the effects of our service issues. Similar to our agricultural service and customer outreach, we are focused on not only improving the reliability and velocity of our coal service, but our marketing team is working with our individual coal customers to provide them with the most realistic and up-to-date information we can. That said, BNSF remains committed to ensuring that no coal customer runs out of coal.

Review of Service Metrics

As I indicated, our service is improving, although that improvement is slow and uneven. Attached is an updated and slightly revised set of service metrics. These compare our year-to-date services levels against those for the week of February 1-7. In particular, I want to highlight some modest improvements in coal deliveries, intermodal transit days, terminal dwell and train speed. As I mentioned earlier, these gains are tempered by higher than planned agriculture past dues and average days late.

We will continue to update the Board with respect to these measures on a biweekly basis. In addition, we will continue our weekly calls between the STB staff and Bob Lease, our Vice President of Service Design and Performance. We are also providing updates to our customers on service developments to not only ensure timely and useful information, but also transparency into our service restoration efforts.

Conclusion

We do understand that customers are continuing to feel service issues. I must caution that recovery from service challenges like we have been facing at BNSF can be slow and uneven, and even if our network as a whole is improving, some customers may still experience significant challenges. However, I am encouraged that network fluidity and velocity are improving, and that in the coming days and weeks our customers will see these improvements reflected in their service.

Sincerely,



Carl R. Ice
President & CEO

Enclosures