BNSF RAILWAY

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Chairman and Chief Executive Officer

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June 29, 2012

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

Dear Chairman Elliott:

I write in response to your June 8, 2012, request for an end-of-year railroad service outlook and answers to the specific questions you posed to BNSF.

At the outset, I would like to note that after a challenging 2011, BNSF's safety and service performance has set all-time records at our company. Our service goal for 2012, as it has been for every year, is to provide our customers with outstanding service at high-volume levels, and I am proud to say that our team has been able to achieve this goal for the first half of 2012. We are confident that our team can continue to perform at this high level for the remainder of 2012 and beyond.

Turning to the questions in your letter, I would first like to review volumes in our four major business units.

Volumes in our Agricultural Products business unit have not grown so far in 2012, but are expected to trend upward late in the year. Expected U.S. corn production, coupled with domestic soybean and wheat supplies, should lead to increased grain shipments.

In our Coal business unit, Powder River Basin coal volumes have significantly decreased this year due to fuel competition from low-priced natural gas, the effect of environmental regulations and lower heating demand this past winter. The resulting decline in demand for coal-generated electricity has caused high coal stockpile levels at many utilities. We do not anticipate the increase in summer cooling demand will be enough to support year-over-year growth in demand for coal-fired electricity. As a result, we have placed a significant number of coal sets and locomotives in storage.

In our Industrial Products business unit, volumes have exhibited significant growth in the first half of the year. We have seen strength in energy-related commodities, specifically crude oil and sand, and this trend is expected to continue for the rest of 2012.

In North Dakota's part of the Williston Basin, we are working with customers to develop up to 10 unit train loading facilities and as many as 35-40 destination facilities. We have dedicated additional resources to support increased demand for crude oil and related oil and gas drilling commodities. We have made significant investments in our Minot terminal, as well as added siding capacity on our North and Central Regions to handle energy-related volume growth.

Finally, in our Consumer Products business unit, we have seen some volume growth in intermodal this year, led by domestic freight despite modest economic growth and less than robust consumer spending. Intermodal growth has been aided by tightening capacity in the truck market and higher fuel prices. We expect a normal peak season for domestic intermodal, as shippers continue to convert freight from the highway to rail intermodal. As consumer spending and sentiment continue to remain sluggish, international volumes have followed. Retailers are coping with the uncertain recovery by maintaining historically lean inventories, and transpacific ocean carriers are struggling with all-time record losses. We do not expect substantial year-over-year growth in international intermodal. However, we have initiated new double-track construction, sidings and siding extensions to support Southeast intermodal growth.

BNSF continues to demonstrate its commitment to serving North America's improving demand for finished vehicles. To support this demand, BNSF has increased its active car fleet over last year, increased velocity of the entire fleet, and plans to add incremental fleet capacity through new car builds and car leases. BNSF is leading the industry in the development and usage of the Automax fleet, which is the newest technology for hauling finished vehicles. Additionally, BNSF continues to work in industry forums alongside other Class I carriers and auto manufacturers to reduce fleet dwell time and increase fleet velocity.

Turning to your questions about equipment availability, from a freight car perspective, BNSF continues to support demand for rail transportation in the intermodal segment. BNSF operates the largest rail-owned stack fleet in the industry and has increased capacity through new acquisitions. We continue to lead initiatives to support improved productivity with other Class I railroads.

The industry coal fleet is sufficient to meet demand. In fact, due to the downturn in coal volumes, BNSF currently has about 3,800 coal cars in storage. Within our agricultural products business, the fleet will be well-positioned to handle projected harvest volumes as a result of the addition of several thousand cars and continued high velocity in the grain network.

Within our industrial products fleet, we are adding car capacity to support the metals market. Strong velocity is supporting the availability of all car types. In addition, there are ample supplies of the car types supporting oil drilling activity, and the fluidity of the merchandise network is ensuring the rapid delivery of petroleum products to market.

In our capital investments for 2012, we have committed to approximately \$3.9 billion, a \$400 million increase over our 2011 capital spend of \$3.5 billion.

The largest component of the capital plan is spending \$2.1 billion on BNSF's core network and related assets. BNSF also plans to spend approximately \$1.1 billion on locomotive, freight car and other equipment acquisitions. We are committed to continuing the process of renewing our locomotive fleet despite having 415 locomotives in storage due to the drop off in coal demand.

The program also includes about \$300 million for federally-mandated positive train control (PTC) and \$400 million for terminal, line and intermodal expansion and efficiency projects. BNSF's expansion and efficiency projects will be primarily focused on improving route velocity and throughput capacity, as well as the new intermodal facility near Kansas City.

We are well positioned regarding manpower, having more than 400 TYE employees on Work Retention Boards where they are available for 48-hour recall when needed to handle increasing volumes.

With respect to your question about passenger rail service, we have executed service outcome agreements for all of the Federal Railroad Administration (FRA) American Recovery and Reinvestment Act (ARRA) funded projects. We also have begun design work on the following Amtrak projects:

Speed improvement projects between Fort Worth, Texas, and Oklahoma;
Installation of a station switch in Oklahoma City;
A third mainline track between Fullerton and Los Angeles, California; and
Improving commuter speed and service between Seattle and Portland

We have completed work on the Iowa State Department of Transportation-sponsored project to improve the reliability of Amtrak 5 and 6 on the BNSF Ottumwa Subdivision. This service will go into effect in July 2012.

Service outcome agreements have been signed for new Amtrak service between the Quadcities and Chicago. Design and construction agreements are currently under negotiation.

As part of our 2012 capital plan, BNSF will be raising the track at Devils Lake that is threatened by rising water. This project is being funded by BNSF, TIGER grants, Amtrak, and the state of North Dakota.

With respect to Amtrak on-time performance on BNSF, Amtrak's operations have improved significantly since last year when we were experiencing record snow and flooding. Year-to-date through the end of May, contractual Amtrak on-time performance was 93.4 percent.

Regarding customer feedback, BNSF regularly engages in a dialogue with its customers, using multiple customer feedback programs. BNSF remains committed to providing the service levels that customers expect. Over the past several years, customer satisfaction with BNSF has been positive and continued to improve, although significant weather interruptions early last year caused small declines in transportation service perceptions. As service recovered, customers' ratings of our transportation service in the last two quarters also improved.

As we look to the second half of 2012 at BNSF, we are aware that our railroad is affected by national and international macroeconomic factors. Issues such as the uncertain world economy, structural changes in energy markets and consumer behavior make the railroad's volumes during the second half of 2012 difficult to predict.

That said, BNSF continues to invest its infrastructure at a record pace, including an all-time record capital investment of $3.9 billion in 2012. Additionally, our record safety, service and velocity performance this year allow us to better meet our customer expectations.

In sum, the 40,000 employees at BNSF remain positioned to handle customer volumes and continue our record service performance for the balance of 2012 and beyond.

Sincerely,

Matthew K Rose

Matthew K. Rose

cc: Vice Chairman Ann D. Begeman
Commissioner Francis P. Mulvey